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6 July 1982

CHINA REPORT ECONOMIC AFFAIRS

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STRATEGIC TURN IN CHINA'S ECONOMIC DEVELOPMENT

HK211400 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] No 5, 20 May 82 pp 3-6

[Article by Sun Shangqing [1327 1424 3237]: "Strategic Turn in China's Economic Development"]

[Text] The smashing of the "gang of four" in October 1976 removed the biggest political obstacle to the economic development of our country. But because of the large number of social problems that were leftover at that time, we were unable to concentrate our energy on studying anew the problems confronting the economic development of our country. At the same time, because the people did not have a clear understanding of the havoc which the "leftist" erroneous guiding thought had played on economic construction and the people did not have a full assessment of the serious damages which the 10 years' "cultural revolution" had brought on the national economy, an ideological background was lacking for making a renewed evaluation of the past development of the Chinese economy and formulating plans for its future progress.

The third plenary session of the 11th CCP Central Committee which was convened in December 1978 formulated a correct line for the political and economic development of our country and decided to shift the pivotal point of work to economic construction. Under the guidance of this correct line, in April 1979 the central work conference adopted the policy of readjustment, restructuring, reorganization and upgrading. This constituted the basic change in the guiding thought of our country's economic construction. Indeed, it may be said to have been the starting point of a strategic turn. Over the last 3 years, we have made a systematic summary of the experiences gained from some 30 years of construction and have conducted a large-scale readjustment of our industrial structure. We have made a preliminary and experimental restructuring of our economic system and also initially reorganized the management and operation of the enterprises. The economic situation has thus turned for the better.

After several years of deliberations, discussions, studies and experiments and having scientifically summarized the past good and bad experiences in economic construction, Premier Zhao Zhiyang put forth a 10-point program on future construction in our country at the fourth session of the Fifth National People's Congress. This program centrally demonstrated a strategic

turn in China's economic development. Its thorough implementation will enable our national economy to gradually proceed on the road of healthy development.

In my estimation, the main contents of the strategic turn in economic development envisaged in this 10-point program are as follows:

1. In the past our economic development lopsidedly leaned on procuring speed and increasing output value. It was actually centered on effecting a speedy development of the economy. This fully illustrated that the guiding thought in the strategy of economic development was the anxiety for achievement. However, hereafter the center will be shifted toward stressing the economic effect. The core of the 10-point program is to strive for the economic effect. It is also the core for the strategic turn in economic development. Stressing economic effect and taking the raising of economic effect as the core illustrate that our strategic thought has been shifted from striving for quick accomplishment to waging a long-term struggle but steadily advancing forward. We all know that the economic growth rate is an important development target and also constitutes an important condition for upgrading economic effect. As far as our socialist planned economy is concerned, we should strive for a necessary and feasible growth rate and also combine speed with the economic effect. But actual practice has showed that while speed and economic effect may be united, there is also a contradiction between them. Our main problem has not been the overlooking of speed but the overlooking of the economic effect. If we concentrate on striving only for speed, then it is difficult to obtain a good economic effect. Therefore, we must strive for a speed that is accompanied by a good effect. If a contradiction develops between speed and economic effect, then speed should be subordinate to economic effect. Under the socialist system, the extent of economic effect should be taken as the criterion for evaluating the results of economic construction work.

Taking economic effect as the core requires a correct understanding and readjustment of a series of economic relations. For example, concerning the relations between national construction and the people's livelihood, we must make overall consideration and all-round arrangement and cannot have regard for only one and neglect the other. The country requires construction but the people's standard of living needs improvement. The two must be arranged well. In the final analysis, national construction provides the basis for raising, in a prolonged and large-scale manner, the people's standard of living hereafter. Hence, the view and way of onesidedly stressing the improvement of the people's standard of living and neglecting capital construction is erroneous in theory and harmful in practice. Several years ago, in view of the fact that since 1958 little or no improvement had been made in the standard of living of the peasants and of the staff and workers, we embarked on a fairly large-scale increase in the people's income. This was entirely necessary. But it is obviously impossible to effect such a large increase year after year. If the country lacks the necessary funds for construction, then there is no hope for the country. Our country has a population of 1 billion. Each day we eat 1.2 billion jin of grain, while 27 million meters of cloth are consumed for livelihood uses and passenger transport carries over 9.36 million people. In order to

provide for the vast consumption and to gradually improve the people's standard of living, we must concentrate more on construction and continuously raise the economic effect. Naturally, in the years to come, following the development of production, the people's standard of living must continuously be improved. But due to the huge population and the low labor productivity rate, the speed of the improvement cannot be too great. On the other hand, to pay attention only to construction and neglect the people's standard of living not only will damage the enthusiasm of the masses but will disrupt the balanced development of the two departments in social production. In the end, the economy will be caught in a malignant cycle and the economic effect on society will be greatly lowered. Under China's concrete conditions, the level of fund accumulation cannot be too high and therefore the speed of economic development cannot be too fast. We must take a new road which leads to a consistent and steady economic growth and which requires relatively less investment, produces relatively higher economic effect, and bestows relatively more substantial benefit on the people.

Furthermore, in order to upgrade the economic effect, we must also correctly understand and handle the relations between remuneration and treatment that are of a relatively equal level and raising economic efficiency. Remuneration and treatment that are of a relatively equal level for all concerned are the superior characteristics of the socialist system and we must insist on having these characteristics. At the same time, we must upgrade the efficiency rate, including the work efficiency rate and the labor productivity rate. This is indeed a rather complicated problem. In order to solve this problem, on the one hand, we must strengthen the ideological education of the workers so that people will maintain the correct posture of being the masters. This of course is very important. On the other hand, we must thoroughly implement the principle of "more work, more pay." Additionally, we must seek advanced technology which conforms to the conditions of the resources of our country and to our management and technological level. Only in continuously adopting advanced technology suitable to our use and greatly raising the labor productivity rate can we achieve a development of the various material production departments and nonmaterial production departments and offer more employment opportunities to the people.

2. We must assign an important place to the production of consumer goods and further reorientate the service direction of heavy industry. In carrying out this guideline, it will mean casting aside for a prolonged period of time the policy of the priority development of heavy industry. This will all the more demonstrate the purpose of socialist production. It concerns the development of agriculture, since over 70 percent of the raw materials of our light and textile industries are derived from agriculture. At the same time, the development of light industry requires the supply of machinery and equipment from the machine-building industry which is part of heavy industry, while the machine-building industry in turn requires various kinds of steel products from the metallurgical industry and heavy industry must also supply the fuels, transportation and certain kinds of raw materials. In this way, development of light industry not only can protect and ensure market supplies, increase exports and enhance financial receipts, but also provides the avenue for vigorous

development of the economy on all fronts. In the past, our prolonged and onesided development of heavy industry brought about an abnormal development of the production structure and caused an abundance of primary-grade and intermediate-grade products but a scarcity of end products and consumer goods. In order to gradually rationalize the production structure, agriculture must maintain its position and role as the foundation stone for the development of the national economy and must be vigorously developed. At the same time, during a certain period and under certain conditions, heavy industry still rates priority development. The development relations between the various departments may also be said to be dialectic. Which department under what conditions should have priority development and which department under what conditions should go slow in its development is entirely determined by the demand of a reciprocal conformity between the two great industrial departments. For the present, the area of service of heavy industry must be expanded and its direction of service must be readjusted so that heavy industry can serve the development of both agriculture and light industry, serve the technical restructuring of the various departments of the national economy (including heavy industry itself), and also serve national defense. It should not, as in the past, devote itself primarily to serving its own development needs and serving capital construction. For this reason, we must readjust the product structure and the technological structure of heavy industry.

It must be pointed out that in the classification of our industrial departments, the fuels industry is also part of heavy industry. But at present and for a considerable time in the future, our fuels industry and the communications and transportation industry are the two "short legs" in the development of the national economy. We must step up their construction and development. The target of the development of the national economy by the end of this century calls for a gross agricultural and industrial output value roughly four times the 1980 basic figure of 700 billion yuan, that is, around 2,800 billion yuan. To realize this target, hereafter the average annual growth rate of our industrial and agricultural production must be about 7.2 percent. However, for a number of years to come it will not be possible to considerably enhance the supply of energy in our country. Therefore, in order to maintain the necessary growth rate in industrial and agricultural production the utilization efficiency rate of energy must be raised and serious extravagance in energy consumption must be overcome. It is estimated that the heating efficiency rate of our stoves and boilers is low, that there is an excess consumption of 40 million tons of coal each year. It is also estimated that in the current power network of our country, if we can replace the medium-low pressure power generating units with heavy pressure generating units of 200,000 kw capacity we can save some 19 million tons of coal a year. Our lorries which use gasoline as fuel have a high gas-consumption rate and it is estimated that their surplus gasoline consumption exceeds 1 million tons a year. In our country the processing of 1 ton of crude oil consumes about 900,000 kilocalorie of energy. This is 50 percent higher than the world's advanced level. It is found that in our country the energy consumed per \$1,000 of product output value is equivalent to 1.7 tons of "standard coal." This is higher than 1.28 tons in the United States, 1.20 tons in the Soviet Union, 0.71 tons in Japan and

0.54 tons in West Germany. Although we must take into account the disparities in production structure and product structure between the countries, it is apparent that we have huge latent potentialities in energy economy and in raising the energy utilization rate. In recent years, our energy industry's elasticity coefficient (energy growth rate compared with industry's annual growth rate) has dropped considerably. This is due to the readjustment of the product structure resulting in a reduction in the output of products which require a large consumption of energy in the production process. Now, in order to raise the energy utilization rate and effect economy in energy consumption, we must adopt the use of energy-saving equipment. Simultaneously with vigorously economizing on energy consumption and raising the energy utilization rate, we must devote utmost efforts to promoting the development of the energy industry and to increasing energy production. Only through employing these dual tactics can we change energy from being a restraining factor on industrial development to becoming a powerful supporting pillar to the growth of the economy.

The backward state of our communications and transportation has seriously blocked the movement of the national economy and has harmed production and consumption alike. Posts and telecommunications are included in the communications and transportation sector. The present state of our post and telecommunications enterprises is akin to that of the railroads, maritime transport, inland navigation and highway transport in that none of them are conforming to the development needs of the national economy. The backwardness of posts and telecommunications seriously impedes the raising of economic work efficiency. For example, at present the China mainland has only 1.31 million sets of automatic telephones, which is a much smaller figure than Taiwan's 3.36 million and Hong Kong's 1.8 million. Following the development of the national economy, both the production, supply and marketing activities of the enterprises and the various links of the expanded reproduction of society must depend largely on the daily expanding network of communications and transportation and posts and telecommunications for purposes of connection and liaison work. If in the course of economic operations the goods cannot flow smoothly and news cannot be communicated on a timely basis, then it will be impossible to develop specialized coordination and to raise the work efficiency rate. Strengthening the construction of communications, transportation, and posts and telecommunications constitutes an important condition for the vigorous development of commodity production and commodity circulation and the thorough eradication of the bondages of the natural economy. Communications, transportation, posts and telecommunications belong to the category of basic social enterprises. In our country, in the future various patterns of economic zones will be formed. These economic zones have as their center cities and towns which have attained different levels of the development but possess their own respective superior points and are economically rational. At the same time, the productive forces will be rationally distributed geographically. All these will have to depend on the appropriate and ultraforward development of the three basic enterprises of communications, transportation, and posts and telecommunications.

3. The principal measures of expanded reproduction will also have to undergo a strategic change. At present, by far the great majority of our industrial and communications enterprises are bothered by such symptoms as antiquated equipment, backward technology, poor facilities for tests and measurements, low quality products, scarcity in production varieties, a high consumption rate of energy and raw materials, and so on. This is principally due to our expanded reproduction activities in the past consisting mainly of measures of building new enterprises but neglecting for a prolonged period the technical restructuring of the enterprises already in operation. It is true that during the period of the formation of an industrialized foundation, the stress on building new enterprises is necessary. However, up to now we have already built some 400,000 industrial and communications enterprises, and relatively complete industrial system has been virtually organized. Their fixed assets have amounted to some 500 billion yuan. A portion of their equipment is also relatively advanced. It may be said that their material and technological foundation is fairly strong. Under such conditions, hereafter the principal measures in expanded reproduction will have to be the technological restructuring of the existing enterprises. In the past, the vast array of new enterprises consumed much of the capital investment but produced slow and inadequate results. The technical restructuring of the existing enterprises will require less investments but can produce relatively faster and better results.

As for the basic road of upgrading the productive force, the method of relying simply on increasing the number of workers as well as the supply of the means of production, or on rationally organizing the various factors contributing to the making of the productive force, has a limited possibility of achieving the desired objective. However, reliance on technical restructuring can effect an unlimited upgrading of the productive force. Only in continuously carrying out the technical rebuilding work can we continuously improve the quality of the products, reduce the consumption of raw materials and energy, increase the production capacity, weed out in time outdated products, ceaselessly create and introduce new products which conform to actual needs, and thereby continuously strengthen the lifeline of the enterprise.

Naturally, technical restructuring will continuously pose new demands on the production departments of the means of production. At present, one of the reasons why heavy industry, particularly the machine-building industry, cannot work to its full capacity is because of its being technically backward and incapable of tackling the available jobs. For this reason, technical restructuring not only will help to free heavy industry from its current state of not having sufficient orders but also provides a road for the vigorous development of heavy industrial departments such as the machine-building and metallurgical industries. After having gone through technical restructuring, the enterprises can provide society with more wealth and thus greatly expand the circulation of the means of production and the consumer goods. In turn this will help to enhance fiscal receipts and overcome current financial difficulties.

the realization of industrial modernization cannot divorce itself from the existing industrial basis and make a new start. On the contrary, we must concentrate on modernizing existing enterprises. And the technical restructuring of existing enterprises is precisely the road leading readily and swiftly to industrial modernization.

Taking an overall view of the situation, it is conceivable that for a short period of time, due to the actual needs of economic development, the principal measure taken may still be the building of more new enterprises. This is because new enterprises are still in the process of development and our industry still has certain gaps which need to be filled by new enterprises. As a matter of fact, our energy and communications and transportation sectors are now progressing with certain new construction items. This strategic turn is now just making a start. The major portion of our fixed asset investments is already tied up on certain imported large-scale projects and for the present we are unable to use this major portion of the funds on the technical restructuring of the enterprises. However, following the progress of the construction work, we shall gradually increase the funds available for these purposes.

4. For a prolonged period in the past, we followed a closed-door policy. This resulted in a dire state of our internal economic development being isolated from the world's economy. Now this state of affairs is being changed into actively promoting international exchange so that by means of international exchange the development of our internal economy can be promoted. Our closed-door policy in the past was due to various complex causes of a historical origin. After liberation, we were encircled by the imperialist powers and suffered from an economic blockade. It was obviously impossible to develop any economic relations with them. What we could do at that time was to open our doors to the Soviet Union and the East European countries. Subsequently, the Soviet Union broke our trust, blockaded us economically and threatened us with the use of force. It was of course impossible to open the doors to them any more. Since the third plenary session of the 11th CCP Central Committee, conditions on the international front have undergone an important change, while within our country we have shaken off the "leftist" erroneous guiding thought and modernization is now in progress. Under such conditions, our open-door policy is a beneficial one and will not be changed.

Our country is short of capital funds. Our technological level is low and our management level is likewise of a low calibre. However, we have relatively plentiful resources. In order to step up modernization, we must promote international exchange on the basis of equality and reciprocity. We should actively utilize foreign capital, introduce and import advanced technology and equipment which are suitable to our use. All this should be capable of reinforcing and not reducing our country's capability of self-reliance and self-regeneration. We must export our traditional products, machinery and electrical products and all other exportable goods. We must continuously improve the designs and structure of our products for export. Because of our lack of experience in the development of international exchange, for a period of time previously we laid particular stress on importing from foreign countries whole sets of equipment but failed to

pay any attention to the purchase and acquisition of the relevant technology and designs, diagrams and charts. This was eminently disadvantageous to the healthy development of our country's industry. After more than 30 years of construction, the industry of our country has already acquired a fairly strong foundation. In developing our external economic relations, we must protect the development of our own industry. We must continuously sum up experiences in this connection.

5. Concerning the development of the two categories of resources, namely, material resources and intellectual resources, in the past we concentrated on the former. Hereafter, we should combine the development of both and place the development of intellectual resources in an important position. The insufficient attention paid to the development of intellectual resources in the past has adversely affected the economic development of our country. Man is the most important element of the productive force. Man's intellectual conditions and the extent of his grasp of science and technology have a decisive significance on the development of the modern productive force and the organization and control of an enormous productive force. The experience gained in the development of the productive force in various countries has amply showed that opening up the intellect has played an increasingly important role in economic development. For this reason, opening up of the intellect is the basic plan for upgrading our country's technological level, production level and management level. Because of the large population of our country, opening up of the intellect is subjected to a host of complex social conditions, and the realization that any such change will necessarily take a rather prolonged period of time. Fortunately, a start has now been made. Thus, while due to fiscal deficits investments on various other lines have been cut, investments in scientific education have increased.

The various patterns of the strategic turn mentioned above have penetrated well into the guiding thought over the upgrading of the economic effect. In order to truly carry out this change, it will still be necessary to institute a control system which conforms to the character of the socialist planned economy. Facts have clearly showed that the direction of reforms in the economic system of our country over the past 2 years has been a correct one and that major results have been achieved. At present, we are making a summary of the experiences of the reforms carried out in the trial points over the previous period and are studying an overall plan and program for the reform of the economic system. In fact, the reform of the economic system constitutes an important guarantee for the success of the strategic turn in economic development.

The smooth progress in effecting the strategic turn in economic development can possibly lead to our country extricating itself from the current economic difficulties, maintaining a stable economic growth rate, gradually rationalizing the economic structure, achieving relatively larger economic benefits, and step-by-step improving the people's standard of living. In this way, the superiority of socialist planned economy can be even further demonstrated.

'JINGJI YANJIU' ON TWO BENIGN AGRICULTURAL CYCLES

HK240745 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 82
pp 7-12

[Article by Liu Zhongyi [0491 0022 0001] and Liu Yaozhuan [0491 1031 0278]
of the Agricultural and Forestry Water Conservancy Bureau under the State
Planning Commission: "Realize the Two Benign Cycles in Agriculture"]

[Text] 1. Realizing the Two Benign Cycles in Agriculture Is a Policy for
Effecting a Permanent Cure for China's Agriculture

Agriculture is the foundation on which human society relies for existence and development. Ours is a country with a population of 1 billion which has a fairly low level of economic development. The tasks confronting agriculture are very arduous. In the near and intermediate future, China's agriculture must ensure enough clothing and food for its population of 1 billion people, effect a gradual improvement in the living standards of the people and basically suit the requirements of the readjustment and steady development of the national economy; in the 1990's to the turning of the century, it must ensure fairly remarkable improvements in the living standards of the 1.2 billion people throughout the nation and provide the necessary guarantee for the fairly rapid development of the national economy and for the smooth accomplishment of the four modernizations. We hold the opinion that to meet this requirement, it is necessary to try hard to base our agriculture on the two benign cycles in an orderly manner. This requires that in the process of development of social production, agriculture must be a benign economic cycle and in the process of the growth and multiplication of the natural world, agriculture must be a benign material cycle. Doing things in this way is the demand of objective laws, the urgent need of the present development of our agriculture and at the same time, also an important content and major goal of China's agricultural modernization program.

Seen from the requirements of the objective laws of agricultural production, the major characteristic of agricultural production is that it is quite closely related to the natural environment. Biological production is taken as the foundation in agricultural production. Living animals and plants are the main objects of labor, land is the basic means of production and such natural factors as water, air, sunlight and heat constitute basic production conditions. The essence of agricultural production is that

people utilize the functions of animals and plants to change the matter and energy in the natural environment into agricultural products which are useful to the people. Therefore, the transformation process of matter and energy between living things and the environment, that is, the state of ecological conditions, has a decisive bearing on agriculture. A primitive ecological cycle is basically a closed self-cycle. If there are no significant changes taking place in external conditions, this cycle is basically a permanent and constant benign cycle. The aim of agricultural production is, on the basis of a natural ecological cycle coupled with artificial factors, to accelerate or change the process of a ecological cycle so that it can change into more farm produce and animal husbandry products at a certain time and meet the needs of the existence and development of mankind. This reproduction process of natural matter is also a reproduction process of the social economy. The input and output in the rural economy is a constant transformation process between natural matter and energy. A benign cycle in the rural economy means ensuring a sustained and steady supply of increasingly rich agricultural products. Obviously, this can only be achieved on the basis of a benign ecological cycle. Seen from the common process of agricultural production, at present, the so-called artificial factors refer mainly to five aspects: 1. The importing of matter and energy (such as water, fertilizer, chemical insecticides and electricity) from outside a certain environment; 2. Changing the original biocommunity structure and biological varieties within a certain environment (for instance, changing the structure of the planting industries and of animal husbandry and improving varieties and breeds); 3. Within a certain environment, building up farmland projects of all types and changing the environmental conditions within the environment (for instance, building dams and so on); 4. Increasing the population and the load on a certain environment; and 5. Carrying agricultural products out of a certain environment and reducing the matter and energy within the boundaries of the environment. While exerting these sorts of influence on the natural ecological conditions, if people can follow the laws governing the ecological cycles, on the one hand they will be able to wrest a huge quantity of material wealth from nature and on the other, be able to bring about a permanent and constant benign cycle in agricultural natural reproduction. Otherwise, a malign cycle, both ecological and economic, or even a vicious cycle will emerge.

Judged from the actual conditions of China's agriculture, at present, there are quite a few economic and technical problems calling for solution. Henceforth, there will be further tasks and goals and many problems which are related to the realization of the two benign cycles in agriculture. Therefore, in a long period of time in the future, the strategic goal of developing our agriculture must be to effect the two benign cycles.

China's agriculture, in both ecological and economic terms, has for many years, been in a state of a nonbenign cycle. Before the founding of new China, agriculture was in a state of a vicious cycle where the natural forces were continually exhausted and the economy increasingly languished. After the founding of new China, tremendous achievements were made in the rural economy and a lot of work was also done in the field of transforming the ecological conditions. However, it is justified to say that the ecological conditions in agriculture are not yet fundamentally managed or

ordered and furthermore, they were worsening to some extent in certain fields, thus restricting the sustained development of the rural economy. Causes for this state of affairs are multifaceted. As far as agricultural production itself is concerned, the long-standing negligence in ensuring an all-round development of agriculture, forestry, animal husbandry, sideline occupations and fishery is an important cause. To ensure an all-round development of agriculture, forestry, animal husbandry, sideline occupations and fishery, it is necessary to fully utilize the various natural resources in ways suited to local conditions and follow the laws governing the transformation of matter and energy in the ecological conditions so that the various branches of agriculture can promote each other and develop in a coordinated way. This will enable us to wrest various sorts of products on the one hand but what is of more far-reaching significance, it will enable us to build and maintain a sound ecological situation in agriculture and lay a foundation for the smooth development of agricultural production. In the past, we failed to have an adequate understanding of this point in our guiding ideology in developing agriculture. Grain is the most fundamental means of subsistence and it is undoubtedly very important to firmly grasp grain production. However, while following the requirements of the laws governing ecological balance, the steady development of grain production can be ensured. Practice has proved that attending exclusively to immediate interests and losing sight of long-term interests and obtaining grain at the expense of the harmony of ecological conditions will inevitably bring about harmful effects to the whole of agricultural production and also cause harm to grain production. Before the third plenary session of the 11th CCP Central Committee, because of the one-sided implementation of the principle of "taking grain as the key link," while developing grain cultivation, many localities did not hesitate to disrupt the diversified economy production conditions and did not hesitate to disrupt the diversified economy production conditions and did not hesitate to plunder soil fertility. As a result, production conditions in agriculture increasingly worsened, costs of grain production became higher and higher, the growth rate for production output fell and fell, economic effect dropped and food problems remained unsolved. In 1978, the national average per capita amount of grain output was only 22 jin more than in 1956, the annual average increase being only 1 jin. In the last 2 years, some increases were obtained in this respect but they were both quite limited and unstable. The 1980 national average economic results yielded by 1 yuan worth of funds dropped from 4.37 yuan in 1956 to 2.88 yuan. According to a sample survey of 339 production brigades, conducted by the departments concerned in 1979, every mu of cultivated land needed on average an investment of 34.3 yuan while the production funds reserved by the production teams averaged 10.34 yuan per mu, no more than one-third of the required amount. It can thus be seen that the problems existing in the rural economy are quite serious. At present, generally speaking, China's agriculture is still in a stage of relative passivity. The places which are by and large in a state of the two benign cycles constitute a small proportion and most regions are in a state between a benign cycle and a malign one. Failure to attach importance to this state of affairs will lead to a malign cycle.

From now on, realizing the two benign cycles must be the major goal to be attained in modernizing agriculture. The higher the level of development of the productive forces in agriculture in carrying out agricultural production, the greater the impact of the artificial factors on the natural ecology will be. In the process of the agricultural modernization program, all the agricultural engineering measures, agricultural biological measures and agricultural economic measures which are put into the process of agricultural production will produce a great impact on the ecological conditions of agriculture. Therefore, a careful study and forecast should [include] every aspect of ecological and economic effects. In so doing, more artificial factors which tally with scientific laws can be put into the agricultural reproduction process and more and better agricultural products can be produced. In this sense, it can be said that realizing the two benign cycles is a policy for effecting a permanent cure for China's agriculture.

2. Major Reasons for the Long-Standing Failure to Effect a Benign Cycle in China's Agriculture

The reason why we have failed to effect a benign cycle in our agriculture for many years, apart from the basic vicious cycle left over by the old society and judged from the situation since the founding of new China, lies mainly in the following five situations and problems:

1) The level of the productive forces in agriculture is fairly low. Our country covers a vast area of land but its cultivated land constitutes only a little more than one-tenth of the total area of its territory. Every person has, on average, 1.5 mu of land. In addition, wasteland resources which it is feasible to cultivate are fairly limited. Our country has an immense labor force in the countryside but the level of its culture as well as science and technology is low and its level of technology and equipment is also very low. In 1980, on average, of every 10,000 people of the agricultural population, only 3.8 were agro-technical personnel. The average value of fixed assets equipment for each agricultural labor force was only 300-odd yuan, far lower than the level of agriculturally developed countries. This resulted in the fairly low labor productivity in our agriculture. The amount of grain produced by every agricultural labor force was, on average, the same as that in 1957; that is, it remained about 2,000 jin. The per unit area yield was relatively low and the per mu yield of grain was one-third to one-half less than that of such countries as the United States of America, Britain, France and Japan. The commodity rate of agricultural products was also very low. The output value of commodities accounted to only about one-third of the output value of agricultural products. Agriculture in China is still in a backward state where 800 million people are engaged in grain cultivation. In making a living they basically depend on nature.

2) The level of the productive forces in agriculture is very low and moreover, the load on agriculture is very heavy. First, it must feed a huge population. At present, 80 to 85 percent of the daily necessities of China's population totalling 1 billion people is farm produce and sideline

products and goods processed from them. Furthermore, the living standard of our people at present is still very low. The level of average per capita consumption of grain, meat and sugar in our country is only four-fifths, two-fifths and about one-tenth respectively of the world average level. These levels need to be further raised. Second, agriculture ought to provide the industrialization program with funds and foreign exchange. In the last 30 years, our agriculture has provided the country with a huge amount of funds through the scissors difference between industrial and agricultural products and 60 percent to 90 percent of the foreign exchange needed by industrial construction is gained through exporting farm produce and sideline products and goods processed from them. Besides, agriculture still must supply raw materials for the development of light industry. Agriculture supplies 70-80 percent of the raw materials for light industry. Arduous production tasks more often than not make people exclusively take immediate interests into account at the expense of ecological balance and long-term interests.

3) The agricultural production structure is irrational. Of China's 14.4 billion mu of territory, grassland constitutes one-third and land suitable for forestry over one-fifth and in addition, our country includes 400 million mu of freshwater rivers and lakes and over 1 million square nautical miles of sea area. All these constitute vast areas for developing forestry, animal husbandry, sideline occupations and fishery. However, our 800 million peasants carry out production mainly in the 1.5 billion mu of cultivated land and what is more, they are basically engaged in grain cultivation. In the composition of the total value of agricultural output, the output value of forestry, animal husbandry, sideline occupations and fishery added together in the 1950's basically did not exceed 20 percent and that in the 1960's and the mid-1970's did not surpass 30 percent. It was not until the last 2 years that the total sum of the output of forestry, animal husbandry, sideline occupations and fishery slightly exceeded 30 percent. In the last 30 years, in the internal sectors of the planting industries, the area sown with grain crops has constituted over 80 percent of the total acreage under cultivation and it was not until the last 2 years that the area sown with industrial and other crops topped slightly more than 20 percent. This production structure of comparatively one-crop farming is not suited to the situation where our agricultural natural resources are multifarious, not suited to the social and economic conditions in which China has an abundant labor force but little arable land and not suited to the situation where the national economy and the needs of the people's livelihood are many and varied. This agricultural production structure which is mainly a single-product economy cannot create the two benign cycles.

4) The country has a weak economic foundation, the communes and their subdivisions are relatively poor, the income of the peasants is meager and the ability to change the production conditions in agriculture, to raise the productive forces in agriculture and expand agricultural reproduction is comparatively poor. The average per capita income of our country is only about \$230, much lower than the level of most of the countries in the world. The 1980 national average income of every peasant from collective distribution was only 86 yuan. This sum coupled with the income from sideline

production totalled merely 100-odd yuan. The accumulation funds of every production team in 1980 averaged less than 1,000 yuan. The financial and material resources of the nation and the communes and their subdivisions used in changing the ecological conditions in agriculture, promoting rural economic development and realizing the two benign cycles are all fairly limited.

5) Some economic policies and rural policies are inappropriate. This is manifested in the following four aspects: a) Efforts have been one-sidedly concentrated on a high speed in industrialization and agriculture was for many years squeezed out by heavy industry and the principle of "taking agriculture as the foundation" has not been earnestly and persistently upheld. In the last 30 years, heavy industry has increased by 9,000 percent, light industry 2,000 percent and agriculture only 280 percent. The proportional relationships between agriculture and light industry on the one hand and heavy industry on the other have been serious. b) The "national program for agricultural development" was one-sidedly implemented and for a long time, "reaching the targets set by the national program for agricultural development" in grain yield was regarded as the only criterion in checking on rural work and even taken as the major manifestation in judging whether or not a correct line was being carried out. Furthermore the developing of a diversified economy was repudiated as a capitalist tendency. c) The principle of "in agriculture learn from Dazhai" was lopsidedly carried out, a production structure model which put sole stress on grain production was set up as a pattern which ought to be followed by the whole nation. d) The reaction of the relations of production on the productive forces was unduly stressed and exaggerated. In the last 30 years, excessively frequent changes have been made in the relations of production. Moreover, since the latter half of 1956, every change in the relations of production has been accompanied with errors of being overanxious and excessively "leftist," thus dampening the enthusiasm of the peasants. All these factors are detrimental to the establishment of an agricultural production system characterized by the two benign cycles.

What we have mentioned above are the major reasons why at present we have failed to effect the two benign cycles. They are also problems demanding proper solution in striving for the future realization of the two benign cycles.

3. Proceed From Actual Conditions and Gradually Solve Key Problems in Realizing the Two Benign Cycles

To put agriculture onto the orbit of the two benign cycles, in terms of macroeconomic decisions, it is necessary to put agriculture in a proper place in the national economy, gradually readjust the agricultural production structure well, vigorously raise the level of the productive forces in agriculture, enthusiastically expand rural production prospects and reinvigorate the rural economy. However, to solve these problems, it is imperative to proceed from the actual conditions of the overall situation of the national economy. Only when a certain growth rate is maintained in agriculture, can normal social and economic life be ensured. That is to say, at present our agriculture is still fairly weak. While shouldering

heavy tasks and receiving limited financial and material aids from the state, it has to embark on the road of the two benign cycles in a slow and steady way rather than try to reach the goal at one step. In the structural reform of agricultural production, at the beginning, no unduly great changes must be attempted. Some plans are rational in terms of the long-term results but exert too great an effect on immediate needs. So they are also infeasible. Our policy must be that while developing production, ensuring supplies and stabilizing the overall situation of the national economy, it is necessary to adopt positive and reliable measures and solve key problems in effecting the two benign cycles. For this purpose, it is necessary to:

- 1) Enthusiastically carry out the principle of "taking agriculture as the foundation."

As early as the 1950's and the early 1960's, Comrade Chen Yun repeatedly stressed the importance of agriculture. He pointed out that China's agriculture has a great binding force on the scale of economic construction. The rural economy is predominant in our country and agricultural production has a great bearing on the state's financial revenue. The question of agriculture and of the market is of vital importance to the well-being of more than 500 million peasants and over 100 million urban dwellers. Thus it is a problem of the people's livelihood and its solution must become an important national policy. These ideas of Comrade Chen Yun are still of great immediate significance in directing the present economic construction. At present, no fundamental changes have taken place in the situation of our agriculture. The foundation role of agriculture needs to be strengthened. The problem is how to strengthen agriculture, this foundation of the national economy. We hold that what is fundamental in strengthening agriculture, this foundation, is to help agriculture attain the capacity to expand reproduction and to realize an economically benign cycle. Practice in the past long years has proved that if agriculture itself lacks a motive force and strength, it is difficult for agriculture to grow and flourish by relying exclusively on the limited external aids. Undoubtedly, it is still necessary in future for the state to increase its assistance to agriculture as far as possible, but, what is more important at the present stage is to gradually lighten the excessive load on agriculture. Efforts can be exerted in the following fields: It is necessary to do a good job in family planning to avoid the excessive growth of population which will continue to add weight on the load of agriculture; it is necessary to place the growth rate and scope of industrial production, capital construction, social development and improvements of the people's livelihood within the limits of the capabilities of the load on agriculture; it is necessary for all professions and trades to substantially support agriculture and increase the capacity of agriculture to expand reproduction in every possible way; it is necessary to allow the rural areas to develop comprehensive operations combining agriculture, industry and commerce and create necessary conditions for the prosperity of the rural economy. In a long-term point of view, in light of its financial capabilities, the state should readjust the price parities between industrial and agricultural products in an orderly way and further narrow the price scissors between industrial and agricultural products.

2) Adopt positive and reliable measures and readjust the agriculture production structure.

The conditions of natural resources of our agriculture has determined that we must change the previous relatively unitary agricultural production structure into a setup of concurrently grasping agriculture, forestry, animal husbandry, sideline occupations and fishery and developing a diversified economy in an overall manner. We must not only put the limited cultivated land to good use but also fully and rationally utilize the mountainous areas, grasslands as well as rivers and lakes. We must encourage the growing of woody grains and oil-bearing crops in the mountainous areas and animal protein on grasslands and in the rivers and lakes. It is also necessary to bring the strong points of the abundant agricultural labor force into full play and energetically develop various sideline occupations and industrial crops. This is a major decision which should be adopted to ensure the realization of a benign cycle in our agriculture and to enable our agriculture to meet the diverse social needs. However, while readjusting the agricultural production structure, the following three questions call for proper solution:

1. How do we treat the question of ecological balance? In our opinions, the past practice of plundering natural resources in total disregard of the laws governing natural ecological cycles is wrong and must be resolutely checked and corrected. However, we must not think that we have to passively adjust to the existing ecological balance relationships in the natural world rather than change them. We advocate that we must adopt a positive attitude, give full play to the dynamic role of mankind in production and construction and fully and rationally transform and utilize nature. Some existing conditions of ecological balance in the natural world can be broken and replaced with a newly established balanced relationship. It is necessary to combine the exploitation and utilization of the natural resources with the protection and cultivation of the natural resources. In regard to the previous cultivation of land and felling of trees which disrupted the ecological balance and is still now continuing to cause soil erosion and worsen production conditions, it is necessary to take drastic measures and resolutely return reclaimed land to forestry, to animal husbandry and to fishery. As for the reclaimed wasteland or completed farmland projects which have produced certain results but at the same time caused some disadvantageous effect on the natural surroundings, it is necessary to proceed from the fact accomplished and take appropriate remedial measures rather than make a hasty decision to indiscriminately return reclaimed land to the original condition.

2. How do we evaluate the economic effect? In readjusting the geographical distribution of agricultural production in light of the principle of suiting measures to local conditions and bringing the strong points into play, the central goal is to suit the agricultural production structure to the natural conditions and proceed to improve the economic effect of agricultural production. However, in practice such questions as what strong points should be brought into play and what kind of economic effect is regarded as good economic effect are not necessarily clear at a glance. For instance, handicapped by a lack of ability to understand nature, people frequently

fail to exploit the natural resources in a rational way. Although they can also achieve some effect, this is done at the expense of the long-term and overall economic interests. For another example, the inappropriate economic policies and the misuse of economic levers may bring economic benefits to some quarters or sides concerned but the whole may suffer losses from this. For instance, the purchasing policies and prices formulated by the state and local governments for flue-cured tobacco and rapeseed enable the peasants to achieve economic benefits. Therefore despite the relative overproduction of flue-cured tobacco and rapeseed at present which has brought economic losses to the state, the peasants are still continuing to expand the area sown with flue-cured tobacco and rapeseed. It can thus be seen that in readjusting the agricultural production structure and improving economic effect, it is imperative to have an overall point of view and take long-term interests into account. It is necessary to carry out the readjustment of the agricultural production structure and the improvement of the economic effect under the guidance of overall state plans. At the same time, it is necessary to adopt economic policies and measures so that the state, the collective and the individual can achieve relevant economic benefits on the basis of developed production and the agricultural production structure can promote the formation of a benign ecological cycle in agriculture.

3. How do we properly handle the relationship between grain and industrial crops? Over the last 2 or 3 years, in order to realize a benign cycle in agriculture, it has been completely necessary to take various measures to develop a diversified economy. But, because the purchasing prices for industrial crops are high and industrial crops have a great role in promoting the development of local industries and increasing financial revenue, the localities, the communes and their subdivisions and the peasants have had soaring enthusiasm for expanding the area planted to industrial crops but lack due enthusiasm for grain cultivation. The area sown with grain crops in 1981 was 110 million mu less than in 1978 and now there is still a trend of continued decrease. We maintain that in order to readjust the agricultural production structure, it is necessary to appropriately reduce some areas sown with grain crops, but grain is still of great significance affecting the whole situation of the national economy. The problem of grain production in our country has not yet been completely solved. Therefore, it is not allowable, even in the slightest degree, to slacken grain production. China's 1980 average per capita production amount of grain was much lower than the world average level. Seen from the purchase and allocation of commodity grain, the number of provinces and regions handing over commodity grain to the state is becoming smaller and smaller and the volume of transferred commodity grain is falling. However, the provinces and regions which asked for state grain allocation are increasing in number and the volume requested is getting bigger and bigger. Compared with 1977, in 1980 the volume of commodity grain handed over to the state by the various provinces and regions showed a decrease of 44 percent and the volume of commodity grain allocated by the state increased by 68 percent. In order to develop industrial crops, some provinces and regions which have for years sent grain out also asked that the volume of grain which was to be turned over to the state be reduced or remitted and even asked for a state grain allocation.

This state of affairs warrants attention and must be studied and solved in real earnest. Seen from the strategic layout in agriculture, regardless of whether it is the whole country or a province, they must expand the area sown with industrial crops, with a precondition of ensuring the steady development of grain production. Apart from a small number of provinces, municipalities and regions which have special conditions, the great majority of the provinces and regions, while managing to be self-sufficient in grain or to be more than self-sufficient in grain, must readjust their own agricultural production structure.

3) Proceed from actual conditions and, in the near future, rely mainly on tapping potential in raising the level of the productive forces in agriculture.

Substantially raising the level of the productive forces in agriculture is a vital question in realizing the two benign cycles. From a long-term point of view, it is necessary to strongly carry out various types of agricultural construction, change the production conditions in agriculture and improve agricultural ecological conditions. From the present actual conditions, in the near future, it is necessary to exert our efforts in the following fields and rely mainly on the internal branches of agriculture in raising the level of the productive forces in agriculture.

First, laborers engaging in agriculture are the foremost and decisive factors in the productive forces in agriculture. It is imperative to correctly implement the party's rural policies and bring into full play the enthusiasm pooled in the hundreds and millions of peasants so that it can be turned into a tremendous productive force. The rural policies carried out since the third plenary session of the 11th CCP Central Committee have greatly aroused the vast numbers of peasants. On the basis of upholding the socialist road and the principle that the system of public ownership of the means of production will not change for a long time, the enthusiasm of the commune members for becoming prosperous through individual labor has been brought into play. This is completely necessary under the present situation where the level of our agro-technology and equipment is fairly low, agricultural production is done mainly by hand and the managerial skills of the collective economy are still not superb. It will play a great role in promoting the development of the productive forces in agriculture. But from a long-term point of view, raising the level of the productive forces in agriculture by relying mainly on the enthusiasm of becoming prosperous through individual labor is, after all, limited in extent. From now on, along with the readjusted rural economy and the improved managerial skills of the collective economy, more attention must be paid to leading the peasants to further develop the collective economy on a new basis so as to quicken the pace of embarking on the road of common prosperity.

Second, give full play to the role of the existing material base. Agricultural engineering facilities, agro-technology and equipment and important goods and materials for farm use constitute the important component parts of the productive forces in agriculture. Although China's agriculture has laid a certain foundation in this respect, the role of the existing material base has not been brought into full play and there is still immense potential in this respect. For instance, some slight improvements in existing

Large-sized irrigation districts will possibly expand the area under irrigation by tens of millions of mu; the utilization rate of the existing more than 200 million horsepower of equipment for rural use is only about 20 percent; the absorption utilization rate of the significant components of the 50 million tons or more of chemical fertilizer applied annually is only around 30 percent, and so on. Only when these potentials are brought into full play, can the level of the productive forces in agriculture be tremendously raised.

Third, rapidly turn the existing scientific research achievements and scientific and technological forces into a practical productive force in agriculture. It is first necessary to exert Herculean efforts to popularize the application of the existing scientific research findings. According to an estimate by the departments concerned, China has succeeded in 5,700 agricultural scientific research projects but only about one-third of them have been applied and spread in agricultural production. Henceforth, while pooling our efforts to tackle key problems existing in our agricultural production, it is necessary to devote great efforts to popularizing the existing several thousand projects of scientific research findings. At present, first of all, enormous efforts should be made to popularize the scientific research findings which can produce marked results in increasing the per area unit yield. This is an important way which requires less money but promises greater economic effect and is in a position to raise the level of the productive forces in agriculture. Second, it is essential to strengthen the organizational work of the scientific and technical research ranks, to organize the various existing agricultural scientific and technological forces and form a nationwide agricultural scientific and technological center so authoritative in academic and organizational leadership terms that it can shoulder the tasks of taking the whole situation into account and making overall plan, offer leadership to all quarters and sides concerned, organize cooperation, appraise results and supervise the popularization work. The various professional fields and provinces, municipalities and regions are encouraged to correspondingly set up their own scientific and technological centers. In this way, our agricultural scientific research work will be able to achieve results at an earlier time and a practical productive force can take shape at a relatively rapid pace.

4) On the basis of energetically developing agriculture, ensure the gradual development of the comprehensive operations combining agriculture, industry and commerce. This is of strategic significance in leading the rural economy to a benign cycle and to changing the appearance of the countryside.

In the past, China's countryside only provided the cities and industry with grain and raw materials, the operational scope of the rural economy was quite narrow and furthermore, the purchasing prices for agricultural products as raw materials were low but the prices for industrial processed goods were high. As a result, the economic benefits to the peasants were poor, the accumulation of the communes and their subdivisions was meager and the capacity to expand reproduction was very weak. This is an important reason for the failure to realize the two benign cycles in the rural economy. On the basis of significantly developing agricultural production, rural

communes and their subdivisions must, in future, be allowed to run some processing industries using agricultural products as raw materials and to engage in material exchanges between the cities and the countryside. Doing things in this way will help redistribute some of the profits yielded through processing and marketing farm produce and sideline products among the peasants. This is very important to the realization of a benign cycle in the rural economy. In developing the commune and brigade-run processing industries, it is necessary to base oneself on local resources and develop more processing industries using farm produce and sideline products as raw materials. Therefore, the base must be substantially developing the production of agriculture, forestry, animal husbandry, sideline occupations and fishery to develop the commune and brigade-run industry and commerce. Only by so doing can rural industry and commerce as well as transportation have a solid material base.

At present, the processing industries using farm produce and sideline products as raw materials are concentrated mainly in big and medium-sized cities. In developing processing industries, the rural areas may vie with big industry for raw materials. In the present situation where the supply of agricultural raw materials falls short, first priority must be given to the needs of existing big industries. Big industries must build an integral relationship with the sources of raw materials so that the sources of raw materials can get certain economic benefits. However, judged from the rational geographical distribution of the economy all over the nation and the comprehensive economic effect, it is still suitable to arrange in a decentralized way a great number of labor-intensive processing industries which use the products of agriculture, forestry, animal husbandry, sideline occupations and fishery as raw materials in medium and small-sized cities and towns which are close to the sources of raw materials. It is no longer allowed to crowd into big and medium-sized cities and places which are not sources of raw materials and build new factories there. We deem that, judged from a long-term and strategic perspective, it is essential to take the form of comprehensive or joint operations combining agriculture, industry and commerce and gradually expand the operational scope of our vast countryside by relying on the rural collective economy and state-run agricultural, forestry, animal husbandry and fishery enterprises. This development orientation must be upheld.

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'JINGJI YANJIU' ON NATURE OF CHINA'S CONSUMPTION

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[Article by Wang Haibo [3076 3189 3134]: "Characteristics of China's Socialist Consumption Mode and Factors Which Determine This Mode"]

[Text] In order to provide an explanation of the characteristics of China's socialist consumption mode, it is necessary, first of all, to analyse the factors which determine these characteristics. The level, structure and manner of consumption are first determined by the level of productive forces. At the same time, they are also determined by the relations of production in a society. However, for a long time, in academic circles there has been a viewpoint which excludes the social relations of consumption from the social relations of production, thus the former is also excluded from objects of study in political economics. Now, it seems that this viewpoint is not correct. Of course, the level, structure, and manner of consumption by people reflects the level of development of productive forces, and thus reflects the relationship between mankind and nature. In this regard, although this is an object of the study of economic science, it is not an object of the study of political economics. But as a link in the general process of social production, consumption, besides reflecting the relationship between mankind and nature, also reflects the social relationships between people, as do other links (including direct production, exchange and distribution) in the general process of production. These relationships are a component of the general relations of production. They are therefore objects of the study of political economics as well. It can be seen that the basic factors that determine a consumption mode are productive forces and relations of production. Moreover, factors such as population, nature, history and nationalities also greatly affect a consumption mode. What we want to discuss in this article is how these factors determine and affect China's socialist consumption mode, so as to expose the characteristics of this mode.

1. Though the antithesis between the poor and the rich has been eliminated, some diverse and complex differences still exist and differences in some aspects are fairly large. This is one of the characteristics of China's socialist consumption mode.

the basic character of capitalist consumption mode is the antithesis between the poverty of the proletariat and the wealth of the bourgeoisie. This antithesis has not been and cannot be eliminated in many developed capitalist countries, though in recent years the living standard of the proletariat there has been obviously improved. Since the socialist system was established in China, the bourgeoisie as a class has perished. Thus the foundation of the antithesis between poverty and wealth has been eradicated. But this does not mean that there is no difference in living standard between socialist laborers. The problem is that, for a long time, some people have just regarded this difference as an outcome caused by the implementation of the principle of distribution according to work. They have not attached importance to making a comprehensive analysis of the various factors causing this difference. As a matter of fact, the causes of this difference are very complicated.

First, the main characteristics of socialist ownership forms at the present stage include the following three points: 1) There are socialist state ownership and collective ownership by the laboring masses. The difference in living standard between laborers in different state-owned enterprises or inside the same enterprises owned by either the state or collectives is, without doubt, related directly to the implementation of the principle of "to each according to his work." But the difference in livelihood between laborers in state-owned enterprises and those in collective enterprises and between laborers in different collective enterprises, cannot be directly linked with the implementation of the principle of "to each according to his work." This is because under the conditions of state ownership and collective ownership coexisting, laborers in state-owned enterprises and laborers in collective enterprises cannot jointly participate in production and distribution as well as laborers in different collective enterprises. In this case, the function of the law of distribution according to work is still greatly limited. This prevents the realization of what Lenin said: "The entire society will become a management office and a factory where there is equal pay for equal work." Therefore, the radical cause of the difference in living standard between laborers in state-owned enterprises and laborers in collective enterprises and between laborers in different collective enterprises is the existence of two systems of socialist public ownership. 2) At the present stage, enterprises under the socialist state ownership system are still relatively independent commodity producers. Each state-owned enterprise not only needs to achieve an income corresponding to the fruits of its labor (after the state has deducted its due amount), but also needs to achieve an income corresponding to the results of its business (also after the state has deducted its due amount). Therefore, the difference in living standard between laborers in different state-owned enterprises, though being determined mainly by the principle of distribution according to work, is also related to the position of these enterprises as relatively independent commodity producers. The current economic management system characterized by the fact that power is highly centralized and administrative measures play a main role in management is not suited to this character of the state ownership system. Thus this point is still not clear now. But, along with the accomplishment of system reform, enterprises will be provided with larger decision-making power under the guidance

of state plans, and this point will become clearer and clearer. 3) Agricultural collective ownership system is now associated with household sideline occupations of commune members. For a long time in the future, the income from household sideline occupations will remain an important part of commune members' income. In spite of the fact that these sideline occupations are a necessary supplement to the socialist economy and the income from these occupations is commune members' income from their work, they are still a vestige of individual private ownership and do not fall within the range of socialist public ownership. The distribution of income from them does not fall within the range of distribution according to work. The difference in living standard between members caused by this fact has no relation to the implementation of distribution according to work.

Second, diversified operation forms and diversified socialist payment forms. The socialist operation forms are determined by the socialist ownership system, while the socialist payment forms are determined by the socialist principle of distribution according to work. However, some socialist operation forms can properly embody the socialist ownership system, others cannot perfectly do this; some socialist payment forms can properly embody the socialist principle of distribution according to work, while others cannot perfectly play such a role. The former conditions are advantageous to increasing the income of economic units, but the latter conditions cannot bring this benefit to them. Therefore, the socialist operation forms and the socialist payment forms, though being based on the socialist ownership system and the principle of distribution according to work respectively, can, once they are shaped, constitute some independent factors which can affect the income level of laborers and cause differences in their living standard. The situation of the state-owned economy in the last 2 years shows that many enterprises are still operating in the old manner, but quite a few enterprises have embarked on system reform, and their decision-making power has been enlarged with the practice of profit retention. Practice has proved that different operation forms can result in differences in laborers' income. This can be seen after many enterprises introduced different forms of economic responsibility systems. As regards the difference in laborers' income caused by different payment forms, this can obviously be seen even in a state-owned enterprise. Thus the above argument is also suited to the conditions of the collective economy.

Third, imbalance in the growth of productive force is also an important factor in determining the level of laborers' consumption. After entering the communist society in the future, the growth of productive forces in various areas, though still being unable to maintain the same level, will not effect a difference in laborers' livelihood, because perfect public ownership by the whole society and the principle of "to each according to his needs" will then have been realized. But under the conditions of the socialist public ownership system and when the principle of "to each according to his work" is in force, the difference in the growth level of productive force between different areas can exert a major influence on the living standard of laborers. In China, this is obviously reflected in the differences between urban areas and rural areas, between economically developed areas and underdeveloped areas and between coastal areas and remote areas.

Fourth, under the conditions of the above-mentioned forms of socialist ownership and when the principle of "to each according to his work" is being practiced, the difference between families in the number of people and in the rate of employed people can also directly affect the difference in living standard between laborers. This point can be seen obviously in urban residents. According to a survey of 86,955 worker families in 44 cities throughout the country in the first quarter of 1980, the monthly income per capita was 32.7 yuan. But according to a survey of 7,780 worker families in four cities in Shanxi Province in the same period, the monthly income per capita was only 26.9 yuan, 17.7 percent lower than the former figure. The main reasons can be found from the fact that, in Shanxi Province, there are more people in the average worker families, but only a small scope for employment and high index of family living expenses. In the above-mentioned period, there was an average of 4.87 people in a family in the four cities in Shanxi Province, 0.39 people more than the average of 4.48 people per family in the 44 cities. Each employed person needs to support an average of 2.06 people in the Shanxi cities, 0.25 people more than the average of 1.81 people in the 44 cities. It can be seen that the difference in number of people and the proportion of employed people between families is also an important factor which affects living standard of laborers.

II. Being Free From the Parasitism, Limitations and Corrosiveness Inherent in the Capitalist Consumption, the Socialist Consumption Mode Has the Characteristics of Productiveness, An Overall Nature and Healthiness

There are two sharply opposed sides in capitalist consumption which correspond to the class antithesis between the bourgeois and the proletariat in capitalist production. On one hand, capitalist consumption reproduces capitalists who are the main part of the capitalist relations of production. Along with the development of capitalism, particularly after entering the stage of imperialism, the capitalist relations of production have become more and more an obstacle to the growth of productive forces, and the consumption by the bourgeois in their lives shown more and more obviously a character of parasitism. On the other hand, it reproduces proletarians who form the commodity of labor force. The consumption by the proletarians is limited, its level is always limited in a scope determined by the value of labor force. Along with the development of modern production, some durable consumer goods (such as automobiles, TVs, refrigerators, etc.) have become a necessary means of subsistence of workers; workers receiving education in secondary schools and even in colleges has also become a need in reproducing labor force. But the development of modern capitalism has not changed and will not change the function effected by the law of the value of labor force. If workers' material and cultural lives can be improved to a certain extent along with the development of capitalist production and the development of science and education, then the development of bourgeois culture which is more and more decadent and infused with bourgeois ideology has affected a greater and greater corrosion of the ideas of the proletarians.

Socialist consumption reproduces laborers, the main body of the socialist relations of production. The purpose of socialist production is to improve laborers' material and cultural lives and to comprehensively develop laborers' physical power and intelligence. Thus socialist consumption can "on the one hand be expanded to the limit allowed by existing productive forces in society, and on the other, to the limit needed in fully developing individual characteristics." (Marx: "Das Kapital" Vol 3, published by the People's Publishing House in 1975, p 990) Furthermore, the development of socialist culture guided by Marxism can ensure the healthy growth of laborers' morality. So, the socialist consumption mode is free from the parasitism, limitations and corrosiveness of capitalist consumption and is provided with the characteristics of productiveness, and overall nature and healthiness.

III. The Movement of the Consumption Level of the Socialist Laborers Is Characterized By a Steady Rise

In the history of the development of capitalism, there has been the following cyclical phenomenon: At a stage where production rises highly, the laborers' living standard can be improved to a certain extent; in crises, the laborers' living standard drops sharply; thus forming rising and falling movements with large fluctuations. This is determined by the nature of the capitalist economic system. Under the socialist system, the purpose of production is to improve laborers' livelihood and the national economy develops in a planned way. Thus the movement of the consumption level of the laborers can be characterized by a steady rise. Of course, this refers to the nature of the socialist economy. This does not rule out that there are sometimes temporary declines in people's livelihood caused by some serious mistakes occurring in overall policies of the state which also set back socialist construction. The problem is that the occurrence of these mistakes is not an objective inevitability of the socialist economic system and does not reflect the nature of the socialist economy. The practice in the socialist construction of China in the last 30 years and more, has proved that whenever the socialist economy develops normally, the people's living standard always rises steadily. If the leftist errors in our guidelines can be prevented, this tendency of steady rise will be maintained.

IV. Consumption Forms and the Complicated Nature of Their Changes

This characteristic is related to the specific conditions in China. First, in terms of consumption level, there are diversified and complex fairly large differences in our country. This point manifests itself in the consumption forms and their changes and development. For example, differences in consumption forms exist between urban areas and rural areas, between cities of different sizes and between workers (or peasants) with different income levels in the same city (or village). The nature of changes in these consumption forms are also different.

Second, the difference in socialist ownership forms also bring about a difference in consumption forms and nature of their changes. This has been mentioned above. Here is a supplement. For example, in the socialist state-owned economy, housing is not a commodity and rents are very low. Thus, although the state has built many new houses in recent years, this is

not obviously reflected in the expenditure of workers. In rural areas, commune members have to build houses for themselves and the expenditure on house-building by commune members has risen sharply. This can be seen obviously in the villages where income level is high and income grows rapidly.

Thirdly, the difference in climatic and geographic conditions between areas can also affect the difference in consumption forms. The example of the influence by climate can be found in the rate of popularization of electric fans. According to the survey in 46 cities in the first season of 1980, monthly living expenses per capita in Foshan, Hefei, Shanghai, Beijing and Shenyang were at the largely similar level. But the rate of popularization of electric fans in Foshan was the highest followed by that in Hefei and Shanghai, then in Beijing; the rate in Shenyang was the lowest. An example of the influence of geographic conditions can be found in the use of bicycles. In the first quarter of 1981, the monthly income per capita in Chengdu was 32.45 yuan, while that in Chongqing was 31.72 yuan. The difference was very small. But there were 111.76 bicycles per hundred families in Chengdu and 3.22 in Chongqing. This is simply because Chengdu is situated in a plain but Chongqing is a mountain city. As far as the differences in customs and habits between nationalities, the fact that they give rise to differences in consumption forms is very obvious.

V. Being Opposite to the Capitalist Consumption Mode Characterized by Waste, the Socialist Consumption Mode Is Characterized by Economy

In the burgeoning period of capitalism, squander and waste were not a characteristic of bourgeois life. But after capitalism "developed to a certain stage, squander which had been a habit of the bourgeois even became a necessity in their business. Squander increases along with the increase in accumulation and neither side will ever impair the other." (Marx: "Das Kapital" Vol 1, p 651) Thus, extravagance has become an important feature in bourgeois life. In the modern capitalist countries, along with the great increase in the capitalist profits, waste in bourgeois life has reached an unprecedented degree. Meanwhile, along with the development of high consumption, consumption in the life in the whole capitalist society has been characterized by waste. The appearance of this consumption characterized by waste is determined by the development of the basic contradiction of modern capitalism. It is an important manifestation of the deepened decadence of capitalism.

Since the abolition of the capitalist economic system and the establishment of the socialist public ownership system, the economic roots of waste-type consumption have been eradicated and the conditions for setting up an economic consumption mode have been prepared. If the volume of materials for consumption is fixed, the economic consumption mode can bring more benefits to the broad masses than the waste-type consumption mode. In other words, in order to satisfy a certain volume of consumption needs by the people, the former mode can economize on the labor with which the means of subsistence are produced and increase the social accumulation or increase laborers' "free time, that is, the time when individuals can fully display themselves." (Marx: "Manuscripts of Economics (1857-1858)", "Complete

Works of Marx and Engels" Vol 46, p 225) In this sense, the economic consumption mode is conducive to promoting social development, social enjoyment and the overall nature of social activities. Therefore, emphasizing the economic consumption mode in no way contradicts the basis of production growth. When saying that working time can be economized in production when a society is under the system of public ownership of the means of production, Marx said: "This is by no means asceticism, but a development of productive forces and production capacity. So it is both a development of consumption capacity and a development of the means of consumption." According to this viewpoint, we can assuredly say that the economic consumption mode does not restrain one's desires, and it can help rapidly improve people's livelihood and in an overall way develop laborers' physical power and intelligence.

The above analyses some important characteristics of China's socialist consumption mode. Of these, some have been realized and some are being formed (such as the full satisfaction of laborers' needs in improving their material and cultural lives and in an overall way developing their physical power and intelligence). This is because the realization of the socialist relations of production just lays down a foundation for this mode. Its complete formation needs a series of conditions of which some are important, such as the establishment of an economic management system complying with the nature of the socialist relations of production and highly developed productive forces. All this calls for hard and long-term work by the whole people. Comrade Mao Zedong correctly pointed out: "The establishment of the socialist system has opened a road leading to our ideal, while the realization of this ideal still needs our hard work." (Mao Zedong: "On the Problem of Correct Handling of Contradictions Inside the People," "Selected Works of Mao Zedong" Vol 5, p 386) In the aspect of theory, in order to completely establish a socialist consumption mode, we still need to criticize the consumption modes of capitalism and feudalism and thoroughly explore the socialist consumption mode. This is an important task of the theoretical workers.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON MERGING THEORY WITH PRACTICE

HK220739 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 82
pp 22-25

[Article by Zhu Chuan [2612 1557] of Liaoning Provincial People's Government:
"Persist in the Principle of Integrating Theory With Practice--Thoughts
After Reading 'Reply to Comrade Song Liang' by Liu Shaoqi"]

[Text] After reading "Reply to Comrade Song Liang" by Comrade Liu Shaoqi we particularly felt that it is extremely important to carry out theoretical study and research. What Comrade Liu Shaoqi mentioned was that during the new democratic revolution, we did not make enough preparation theoretically, that a process was needed in integrating Marxism-Leninism with the Chinese revolution and that because we were busily engaged in struggles, consequently we did not have enough time for study. Therefore it is quite apparent that during the period of socialist construction, our theoretical preparation is lagging even further behind the needs and it is much more difficult for us to integrate Marxism-Leninism with the practice of our socialist construction. As we are busily engaged in actual work, it is often difficult for us to have time for studying theory and carrying out investigations of the social economy. We must pay more attention to the study of economic theory. During the war of resistance against Japan and on the eve of the party rectification campaign, Comrade Liu Shaoqi pointed out the unanimity between studying Marxism-Leninism and studying the law of the development of Chinese social history. This means that he opposed empiricism that denies the necessity of studying books and of specializing in theoretical study and opposed academic dogmatism that despises practice and departs from it. He pointed out that it was necessary to correctly grasp and resolve the relationship between theory and practice. That is to say, it is necessary to persist in the principle of integrating theory with practice. These views are of important realistic significance for us in our study of economic theory. Comrade Mao Zedong said: "What kind of theorists do we need? They should be theorists who are able, on the basis of a Marxist-Leninist stand, viewpoints and method, to correctly explain the actual problems that crop up in history as well as in the process of the revolution and to give scientific and theoretical explanations with regard to the economic, political, military and cultural problems in China." ("Selected Works of Mao Zedong," "Rectifying the Party's Style of Work," 1966 horizontally printed edition, the People's Publishing House, Vol 3, p 772) It naturally

means scientific explanation of the actual economic problems in China by economic theory. Therefore, the basic method for studying such economic theory that is integrated with practice is the method of integrating theory with practice. That means to resort to the basic principle of Marxism-Leninism-Mao Zedong Thought and to conscientiously study the practice of our socialist economic construction, sum up practical experiences, put forth scientific predictions and make theoretical creation.

Our historical task during the present stage is centered around carrying out economic construction. Our economic theory is far from enough, yet among those who are engaged in economic construction the situation of despising and neglecting economic theory is very serious. It is imperative to oppose empiricism and advocate reading books and studying economic theory, whether in teaching, among economic research departments or some economic theorists and professors, it is also necessary to overcome and prevent the method of academic dogmatism. Empiricism and dogmatism belong to subjectivism and they intermingle with one another from two different extremities. Outwardly, dogmatism highly respects theory, resorts to classic works, with words flowing from a mouth as from the pen of a master, and it seems to scare people. But in reality, dogmatism distorts and discards the truth of theory; it is not a "true theory." Empiricism surpasses dogmatism in despising and neglecting economic theory. But often empiricism cannot withstand dogmatism and is often hoodwinked and made use of by the latter. These situations are similar to those mentioned by Comrade Liu Shaoqi. During the new democratic revolution, we suffered much from dogmatism because we did not pay attention to theoretical study and because of our low theoretical standard. During the socialist construction period, we have also committed mistakes of a dogmatist nature. Furthermore, dogmatism has helped and made use of empiricism to cause us to make serious leftist mistakes for a very long period. Here I just cite an example that is well known to all of us.

The so-called "theory of continuing the revolution under the dictatorship of the proletariat" is extremely absurd and it has a strong feature of the combination between empiricism and dogmatism. Following the basic completion of the socialist transformation of the means of production, the exploiting class has been basically eliminated as a class while the principal contradiction in our society has turned from the contradiction between the proletariat and the bourgeoisie to the contradiction between developing socialist production and meeting social needs. It is true that class struggle will continue to exist for a long time to come within a certain sphere, but our major task has turned from carrying out class struggle to being centered around carrying out economic construction. The so-called "theory of continuing the revolution under the dictatorship of the proletariat" not only persisted in taking class struggle as the key but also advocated the method of "speaking out freely, airing views fully, holding great debates and writing big-character posters." With "criticizing the authoritative capitalist roaders within the party" as its main target, this theory confounded right and wrong and put ourselves and the enemy upside down, only to cause the turbulence that lasted for 10 years. The "theory of continuing the revolution under the dictatorship of the proletariat"

regarded the problems that did not belong to class struggle as class struggles and resorted to the old method and old experience of the well known big-scale and hurricane-type class struggle with mass participation that can no longer be carried out mechanically. It is apparent that it has the feature of empiricism. This "theory" resorted to and distorted the imagination and theories about class and class struggle that were expounded by Marx, Engels, Lenin and Stalin under the condition of socialism or in the early period following the seizure of political power by the proletariat and took imagination and theories as its "theoretical basis" of the "important danger of right-opportunism or revisionism" and therefore it is also apparent that it has the feature of dogmatism. The "theory of continuing the revolution under the dictatorship of the proletariat" was not timely and widely checked at that time and this situation showed that we did not take a serious attitude with regard to the study of Marxist theory, nor did we follow the method of integrating theory with practice that was repeatedly advocated by Comrade Mao Zedong.

Putting aside the question of stand, theoretically speaking, some of the leftist mistakes that were made for quite a long period in the guiding ideology of our economic work were caused by the fact that we failed to adapt ourselves to the new situation, made the mistakes of wrongly following the old experience that was accumulated during the revolutionary war while some other mistakes were caused by the fact that we just mechanically copied experiences of other countries. But in spite of this, it was mainly because of dogmatism. For example, we mechanically copied Marx's and Engels' imagination about socialist society and we were rash at eliminating commodities, currency and getting rid of the roles of market mechanism and market regulation; we blindly sought what was "large in size and collective in nature," direct possession by the whole society and upgrading the transition of the system of ownership by the whole people. We also improperly followed the sentence spoken by Lenin prior to Soviet agricultural collectivization and consequently we regarded the individual economy under socialist conditions as the soil for the emergence of capitalism while with regard to the speed of construction we committed such mistakes as high goal, high accumulation, harmful directives neglecting balance and impatience and rashness. The main reasons for all such leftist mistakes were that we did not really understand the spiritual nature of Marxism-Leninism, did not constantly study our national conditions, did not persist in Mao Zedong Thought and did not integrate Marxist universal truth with the specific conditions of our country. Theoretically, our basic task in restoring order was to criticize the counterrevolutionary fallacies peddled by Lin Biao, Jiang Qing and their ilk, and to change the situation in which theory was divorced from practice. That is to say, we must, as pointed out by Comrade Liu Shaoqi, correctly grasp and solve the question of integrating theory with practice.

Now we have entered a new period of carrying out the socialist modernization program. We have such rich reference materials in the practice of our economic construction and yet there are so many actual problems that have to be urgently pointed out. "In carrying out our research work it is imperative to have enormous reference materials, analyze the various forms

of development and probe into the inner relations of these forms. It is only after completing such work that the movement of reality can be properly described." (Marx: "Das Kapital," the People's Publishing House, 1975, Vol 1, p 23) We must advocate a good style of work in studying economic theory. Theory is shown by using a series of concepts and categories. It is first of all necessary to have a definite understanding about the concepts and categories and this understanding in no way means "rigidly following phrases together." For example, if in probing into economic theory we do not understand the related concepts and categories such as the law of value in our country at the present time and argue about what are commodities and exchange of commodities and what are value and the law of value, we will only make serious mistakes and achieve nothing despite arguments and other efforts. How can we succinctly define the concepts and categories? And how to give a theoretical explanation on this basis? To do this, it is imperative for us to use the scientific abstract method that was used by Marx in forming political economics. Marx pointed out explicitly that the abstract method means to get rid of diverse and accidental things by penetrating complicated economic phenomena and resorting to theoretical analysis to expose the process of the economic movement of the nature of certain relations of production and expound the law of this economic movement. That is to say, we must base ourselves on actual reference materials, discard the dross and select the essential, eliminate the false and retain the true, and proceed from one to the other and from the outside to the inside so as to form concepts and carry out judgment and reasoning. In this way, we will be able to put forth a scientific foundation that is fully based on practical experiences, create theoretical system and proceed from perceptual knowledge to rational knowledge. Therefore it can be seen that the Marxist abstract method accords with the method of integrating theory with practice that is advocated by us today.

Like any scientific theory, the task of economic theory is not only to explain the world but what is more important is to transform it. In our political economics we must closely combine the study of economic laws and the relations of production with the superstructure. Any theoretical proof we make on an economic question must contain not only qualitative analysis but also quantitative analysis to point out feasible and definite quantum demarcation for a certain time and within a certain region. That is to say, we must spare no effort to integrate theoretical analysis with our present economic construction so that we will be able to carry out deep analysis and point out feasible planning, principles, policy and method. We are living in the historical period in which our socialist construction is developing rapidly, therefore our economic theoretical works must not only answer the whats and the hows (the question of economic law) in our socialist construction but must also try to integrate with and answer the planning, principles, policy and method (the questions of superstructure) in the construction. All these are objectively needed in the practice of our socialist economic construction.

In order to persist in the principle of integrating theory with practice it is hoped that the people belonging to the two different categories will work hard in the direction that is different from their own situation.

The comrades with more practical experience in economic work no doubt have to continue to carry out deep study and investigations. But generally speaking, the main problems of such comrades is that they lack theoretical knowledge and consequently they are not good at making theoretical summaries and explanations of economic phenomena by making use of scientific concepts and categories. These comrades must, as pointed out by Comrade Liu Shaoqi, find time to "bury themselves in books" and study economic theory. There are a number of books about economics, but for the comrades with some practical work it is better to mainly read some books about political economics, planned economics, and other branches of economics such as industry, agriculture, commerce, finance, money and value, management economics, technical economics and statistical economics. They must also read some books about economic history and some reference materials about the economic situations of various countries in the world. In short, they have to read some books about economic theory, economic history and the current economic situation. Of course, they also have to read some books about philosophy. It is hoped that the leading comrades at various levels will be able to take the lead in the study of economics and philosophy while the leading organizations at various levels will be able to provide more and better conditions for the study and step up their leadership over theoretical study. In this way, experiences will become systematic and comprehensive theory, we will be able to make no or little empirical mistakes and to do a good job in our socialist economic construction.

The majority of the comrades with more theoretical knowledge have formed a specialized rank on the theoretical front and this rank is growing stronger. Some of these comrades must also continue reading books; but taken as a whole, because of various objective reasons, quite a number of these comrades have comparatively little contact with actual economic works and the economic conditions of our country. Therefore, according to the works of Comrade Mao Zedong, the economic knowledge of these comrades is also not complete and they have to develop it in practice. The leadership must try their best to provide every convenience so as to help these comrades not to be satisfied with just reading books, just understanding empty works, not to undertake "academic" study and not to make dogmatic mistakes. In this way, the leadership will also be able to help put them in contact with the practice of economic construction such as conscientiously reading documents and reference materials, taking part in discussions and particularly in carrying out deep study and investigations. Such measures must also be considered organizationally so that the comrades with more theoretical knowledge will be appointed to certain posts with actual responsibility or that the method of exchanging cadres may be carried out among the comrades with more experience in actual economic work. All these measures will help them make use of their knowledge from books still better and resort to their capability in thinking, logic and writing. As a result, they will be able to systematically and profoundly sum up the practical experiences of our economic construction, probe into the law of development of our socialist economy and gradually establish and develop a scientific system of socialist economic theory. Now some comrades intended to compile teaching materials and text books while some other comrades intended to study and introduce classical or foreign things. No doubt, all these are

beneficial works. But it was heard that some are willing to do so not for the purpose of solving actual problems in our economic construction but because they worried about doing risky works and therefore they just wanted to avoid contradiction. Such an attitude must be opposed.

Integrating theory with practice does not mean to do away with foreign things; on the contrary, in doing so it is necessary to learn from them. Our country became a semifeudal and semicolonial country for 100 years and more following the opium war. Much progress has been made since the founding of new China. But in the modern world today, our socialist country is still backward economically or it can be said that it is lagging several decades behind. We can in no way carry out a closed-door policy. There is no doubt that we have made tremendous achievements in economic construction and we have accumulated rich experiences both negative and positive. But in order to make our economic strength enter the ranks of the modern countries in the world, it is imperative for us to look into and establish relations with the modern world. We must understand the modern world and learn from the good experiences of various countries, including those of advanced capitalist countries. Of course, we can only learn from good foreign experiences and we cannot follow them mechanically. Political economics is a branch of science with a very strong party character and class nature. Under the socialist system in our country, we have to analyze and critically learn from bourgeois economics, even bourgeois technology and management.

In integrating theory with practice it is also imperative to have correct ideological guidance. The general law of the development of nature and society, the scientific theory about socialism and communism and political economics and particularly some basic principles about socialist economy that are expounded by Marxism-Leninism-Mao Zedong Thought, in short, the basic stand, point of view and method of Marxism-Leninism-Mao Zedong Thought are always our guidance in our socialist economic construction and the basis of our economic theory. We must resolutely persist in this point. It is also the basic demand for communists.

In the course of our socialist modernization program, there are rich and fresh practical experiences for us to sum up and there are countless problems waiting to be answered by us. Therefore our economic theory must be put under the guidance of Marxism-Leninism-Mao Zedong Thought and it must develop in the practice of economic construction. An unprecedented upsurge will happen in our country in the study and research of economic theory. The socialist part of the political economics and the scientific system of the socialist economic construction will no doubt be established.

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ECONOMIC MANAGEMENT

'JINGJI YANJIU' ON MANAGING DEPRECIATION FUNDS

HK220917 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 5, 20 May 82
pp 33-35

[Article by Meng Lian [1322 6647] of the Economic Research Institute, State Planning Commission: "Views on Improving the Management of Depreciation Funds of Fixed Assets"]

[Text] Our country is now working out the sixth 5-year plan and the basic principle of this planning is to improve economic efficiency and to open up a new road for the development of our national economy. One of the important questions in this aspect is how to improve the management of the depreciation funds of fixed assets.

(1) Regarding the Depreciation Rate

The depreciation rate of various fixed assets in our country is defined on the basis of considering the material loss of fixed assets. Thanks to the development of science and technology, the costs of the reproduction of fixed assets have gradually dropped and what is more important is that new technologies and new equipment have constantly emerged with such advantages as higher efficiency and lower consumption. Although it appears that the original equipment is not completely worn out, it is uneconomical to continue to use the equipment because it will cause invisible damage. Under a situation in which depreciation rate is too low, the retained depreciation funds will not be sufficient to compensate for the value of the fixed assets and if the existing equipment is renewed prior to the expiration of their depreciation years, the burden of costs will not be balanced and the production stability will be affected. If the equipment is not renewed and we are compelled to use backward equipment, the improvement of economic effects and the realization of the intensive expansion of reproduction will be affected. Industrially advanced countries in the world have encouraged enterprises to use the method of rapid depreciation and the main goal of this method is to promote technical renewal of fixed assets so as to accord with the trend of technical development. It is true that with rapid depreciation, the enterprises will postpone the payment of income tax. However, when the period of depreciation is shortened, which means there is a necessary coefficient of insurance against invisible damage, the whole economy will be able to maintain an advanced technical level and

competitiveness. At the same time, as long as economic effects are satisfactory, the period of actual use of some equipment will be able to surpass the depreciation period. Thus to a country, the results of this method have greater advantages than disadvantages.

The current condition in our country is that the average depreciation period of fixed assets of all industry is 24 years (for some equipment it is about 18 years) and compared with industrially advanced countries, this depreciation rate is low. Much of our equipment is characterized by low efficiency, low precision and high consumption. On the one hand, energy production in our country is yet to be improved while on the other hand, the efficiency in the use of the energy in our country is about 20 percent lower than advanced industrialized countries. In many situations, the renewal of equipment will apparently result in saving energy. For example, statistics showed that if the 25 old axial-flow blowers of the Taiyuan iron and steel plant are replaced by new type blowers that are available in warehouses, the plant will be able to save more than 2.2 million kwh of electricity, the equivalent of 150,000 yuan annually, while to purchase the new blowers, the plant only has to spend 90,000 yuan. The Daqing oilfield now has 200 old pumps and if all are replaced by the new pumps made by the Shenyang pump factory, the oilfield will have to invest 12 million yuan. But with the new pumps, the oilfields will be able to consume 360 million kwh less electricity per year and this would mean an annual saving of 18 million yuan. Under this situation, if we do not concentrate our efforts in changing such waste that generally exists but concentrate our efforts in making big investments in the exploitation of energy, we will only cause double waste. In addition, the longer the period equipment is in use the higher will be the costs of maintenance and the lower will be the performance and efficiency of this equipment. If equipment is continuously used after its depreciation period, its maintenance costs will drastically increase, its performance and efficiency will drastically drop and consequently production costs will also drastically increase and economic effects will decrease. For example, investigations made by the State Economic Commission showed that the expense of a major overhaul of an ordinary 1950's machine tool now comes to 70 percent of its original value and it is impossible to restore the precision of the machine. According to the Shanghai tools plant, the performance and efficiency of a machine tool will drop by 25 percent after three major overhauls. Thus the financial benefits that are brought about by a low depreciation rate is offset by higher maintenance costs and low economic effects. Therefore, we must consider it an important factor in properly raising the depreciation rate to use new technology to replace the old equipment as quickly as possible. We must reduce the consumption of energy and raw materials, improve the quality of products, reduce maintenance fees, decrease production costs, make up for invisible damage and take the road of intensively expanding reproduction. This method has to be applied for a long period to come. At present, it is necessary for the related comprehensive departments, on the basis of their previous work, to organize industrial and transportation departments to carry out study and investigations, consider visible damage together with invisible damage, separately define the depreciation period of the various types of fixed assets with different usage and define the depreciation rates for

different categories of the assets. On this basis, it is necessary to gradually readjust the imbalance between trades and properly increase the overall level of depreciation rates. For example, during the sixth 5-year plan we may consider gradually increasing the average comprehensive depreciation rate of the industrial fixed assets across the country from the present 4.2 percent to 5 percent.

(II) Regarding the Use of Depreciation Funds

There are problems in our present management of depreciation funds of fixed assets. On the one hand, our depreciation rate is low and on the other hand, the limited depreciation funds are not used well. According to a calculation made by the departments concerned prior to 1967, 70 to 80 percent of the depreciation funds that were centralized by the Central Financial Department were used in capital construction; in 1967 to 1977, a considerable amount of the funds that were retained by enterprises and management departments were also used in capital construction. Since 1978, some of the depreciation funds for big and medium enterprises were handed over to higher financial management departments and the rest was retained by the enterprises themselves. Investigations made by the State Economic Commission showed that the number of units that made comparatively good use of the retained depreciation funds in renewing equipment was only 20 percent while most of the rest of the funds was used in building and expanding factories. This situation has aggravated the slow process of the renewal of fixed assets.

As we are now carrying out national economic readjustment, it is imperative for us to get rid of the former course that was characterized by high accumulation, high consumption in production, low efficiency and low consumption in daily life and take a new track that is characterized by practical speed, better economic effects and more benefit for the people. Therefore the guiding ideology of the sixth 5-year plan must take intensive expansion of reproduction as its centre and the planning must include the stepping up of the renewal of equipment and technical reform of a number of old enterprises as important measures and specialized duty so as to change the strategic principle of our economic development.

The renewal of equipment and technical reform cannot be carried out in a rush; they must be carried out in a planned way and step by step. The comprehensive departments concerned must organize the related industrial and communications departments to examine and classify the technical economy of the existing major enterprises and equipment so as to understand the situation. A number of the enterprises and equipment with heavy tasks, great contributions but with old and backward equipment urgently need renewal and reform. Therefore they must be listed, included in investment plans for renewing and transforming fixed assets and be regarded as special tasks for the sixth 5-year plan. This work must be completed in 2 to 3 years. But the condition for doing this is that we must have the technical condition and creative power to renew these enterprises and equipment that must have better economic effects after the renewal and reform.

Because we paid too much attention to capital construction for quite a long period in the past, there exist a number of old enterprises that have to be renewed and reformed. Therefore if the present depreciation funds fail to meet the needs in the specialized task of renewal and reform, the depreciation funds must be increased by adding money allocated from capital construction investments. Therefore it is also necessary to classify and compare the economic effects of renewing and reforming with those of capital construction. If they both can produce the same productive force with the same investments, it is necessary to give priority to arranging renewal and reform so as to curtail capital construction. If the investment that are needed in renewing and reforming a unit to save energy is not higher than that needed in the capital construction of a unit to producing energy, priority must be given to the renewal and reform so as to curtail the capital construction that is being carried out. The method of evaluating the project for saving raw materials must be the same as that used in evaluating the energy saving projects. Attention must be given to comprehensive analytical comparison if the many renewing and reforming projects are to have diversified economic effects.

In order to guarantee that the task of renewing and reforming old enterprises can be carried out smoothly, it is necessary first of all to do a good [job] in the next 1 to 2 years of: Industrial readjustment and transformation; working out technical policies and planning for technical reform and popularization; importing and studying suitable and advanced technology; and improving the level of machine-building technology.

We must prepare technical and material conditions for renewing and reforming old enterprises and old equipment. Statistics compiled by the First Ministry of Machine Building showed that of the more than 20,000 varieties of machines it makes, 5 percent have the technical level of the 1970's, 35 percent have a technical level of the 1960's and the other 60 percent have a level of the 1950's or even earlier. This situation will in no way ensure the renewal and reform needs. On the one hand, our machine building industry does not have enough production tasks and enormous productive forces are idle. On the other hand, as many enterprises have been "eating out of the same big iron rice pot" for a long period, they still do not have enough economic pressure and they are not able to master even simple technology. Similar situations exist in many research and design departments. Therefore the state must avoid resorting to administrative measures in arranging research, design and production tasks. On the contrary, it must invite technical tenders and provide preferential benefits to the successful tenders. The state may even stipulate that the enterprises and units with certain technical standards must compete in tendering and those that fail will be responsible for some of the expenses by providing financial allocation from their own capital or be given other forms of economic punishment. It is also necessary to step up the work in defining the law of patent while imports and popularization of advanced foreign technology must be encouraged.

(III) Regarding the Management System for Depreciation Funds

Historically, we have managed depreciation funds both in a centralized and a decentralized way but the use of the funds has not been satisfactory. Therefore, in considering the management system for the funds we must not confine ourselves to just discussing in general the advantages and disadvantages of centralized and decentralized management. We must first of all set the policy goal of "most efficiently using depreciation funds" and make a decision according to the present situations.

The deficiencies in renewing and reforming fixed assets is, at present, comparatively serious. By the end of 1980, the net value of the fixed assets of the state-owned industrial enterprises after deduction for depreciation was 68 percent of original value. According to a calculation by the departments concerned, 14 percent of the fixed assets of the state-owned enterprises across the country which have a use life of more than 25 years have surpassed their service period. This problem is still more serious in a number of the old enterprises that have a great responsibility in the national economy. Some enterprises are still using equipment of the 1930's and 1940's or even earlier. Therefore it is particularly necessary to concentrate some funds to help renew and reform such enterprises. On the one hand, the enterprises now in fact do not have an overall economic responsibility toward the state while the organizational structure of existing industry is far from being rational. Therefore they have to be readjusted and reorganized to solve the long-standing problems such as carrying out construction blindly and duplication in production. If the funds are dispersed now to let enterprises make their own arrangement in renewing and reforming, they will only carry out such work blindly. Therefore under the prerequisite that the centre of the guiding ideology for planning during the sixth 5-year plan is changed to intensive expansion of reproduction, the depreciation funds can be managed in a centralized way as the main and in a decentralized way as a supplement. For example, that part of the funds under centralized management by the central government may be increased to 40 percent or even 50 percent while the proportion under local centralized management will remain unchanged. The funds that are under the centralized management by various central departments must be centralized in financial departments and this part must be unifiedly used in the specialized tasks of renewing and reforming old enterprises during the sixth 5-year plan. If the centralized funds are not sufficient for meeting the needs of these specialized tasks, they must be supplemented by allocation from part of the capital construction investment so as to guarantee the renewal and reform tasks. Of course, this management method is only applicable to solving one or two major and urgent problems in the short term, it cannot be used for a long period. The management methods following the seventh 5-year plan depends on the situation at that time. To the enterprises that have not made arrangements for renewal and reform, the method of centralized management as the main means a kind of egalitarianism and indiscriminate transfer of resources and as a result, a number of other enterprises will face the new problems of renewal and reform and this problem must be resolved in future planning.

We must also pay attention to displaying the roles of banking in the management of depreciation funds. The depreciation funds under the centralized management of financial departments and the funds for specialized projects in renewal and reform must be supervised and allocated by construction banks according to planning. The depreciation funds that are retained by enterprises and the surplus of these funds that is accumulated year after year must be deposited in construction banks. The bank gives interest to the clients and uses the funds in financing and such loans can only be used in renewing and reforming fixed assets.

(IV) Regarding New Evaluations of Fixed Assets

The question of an unreal value of enterprise fixed assets is very outstanding now. The post-depreciation value of the fixed assets of some enterprises is already negative and yet these enterprises are still calculating depreciation. This situation only makes economic goals lose their true essence and economic accounting lose its significance. Therefore it is imperative to reevaluate fixed assets and it is suggested that the Ministry of Finance and the Economic Commission organize the departments concerned to take part in this job which should be carried out together with the reorganization of enterprises that began this year.

(V) Regarding Improving Management

Our management level of fixed assets is still very low. For example, we do not have records on the distribution and use of depreciation funds in the past years, on the return rate of assets and on actual maintenance fees. If we introduce planned economic management under this situation, we will certainly cause many mistakes and great damage. It is apparent that our macroscopic economic management level is no higher than our microscopic economic management level. Therefore in reorganizing enterprises, we must also reorganize management work in a planned way so as to strengthen its scientific nature and decrease blindness.

CSO: 4006/488

AGGREGATE ECONOMIC DATA

NATIONAL, PROVINCIAL-LEVEL AGGREGATES

[The following selected national and provincial-level aggregate economic data have been extracted from various sources as indicated. In the table below, the gross value of industrial output is abbreviated as GVIO, heavy industry as HI, light industry as LI, textile industry as TI, gross value of agricultural output as GVAO, and gross value of agricultural and industrial output as GVAIO.]

NATIONAL AGGREGATES

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in billion yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
1982:1981 1st Q	GVIO: 11.6 LI: 14.6 HI: 8.5	129.3		2 2 2
1982:1980 Jan	GVIO: 1.7 Average daily output: 17	40.5		3 3
1981:1980 by end-Nov	TI: 16.6	71		6
1981 by end-Dec		78 (projected)		6
1981:1980	LI + TI: 12			21
1981:1976	TI: 2.2 times			22
1981:1976	Average annual increase: 17			22
1981:1980	LI: 10.4			23

PROVINCIAL-LEVEL AGGREGATES

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in billion yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Fujian</u>				
1982:1981 Jan-Apr	Export: 6.1			24
<u>Guangdong</u>				
1981:1980	GVAIO: 9.9	37.08	105.3	11
1981:1980	Nat income: 7.6	24.7		11
1981:1980	GVAO: 5.5	12.03	101	11
1981:1980	GVI0: 11.6	25.05	106.9	11
1981:1980	LI: 17.8	16.21		11
1981:1980	HI: 1.5	8.84		11
1982:1981 Jan-Apr	GVI0: 13.7			25
1982:1981 Jan-Apr	LI: 15.3			25
1982:1981 Jan-Apr	HI: 10.5			25
1982:1981 Apr	GVI0: 15.6			25
<u>Hebei</u>				
1982:1981 Apr	GVI0: 7.44			4
1982:1981 Jan-Apr	GVI0: 9.1			4
<u>Liaoning</u>				
1982:1981 1st Q	GVI0: 8.1			9
1982:1981 1st Q	HI: 5.6			9
1982:1981 1st Q	Railway transport: 6			9
1981:1980	GVAIO: 0.6	53.67		10
1981:1980	Nat income: -1.6	24.57		10

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in billion yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Liaoning (Cont'd)</u>				
1981:1980	GVI0: -3.6	45.14		10
1981:1980	LI: 16.5	16.27	107.1	10
1981:1980	HI: -7.4	28.87	101.6	10
1981:1980	GVA0: 4.3	8.53		10
<u>Shaanxi</u>				
1982:1980 1st Q	GVI0: 9.6			12
1982:1981 Jan-Apr	GVI0	0.286	31.57	13
1982:1981 Jan-Apr	LI: 13.07			13
1982:1981 Apr	TI: 5.7	0.216		13
<u>Shandong</u>				
1982:1981	GVI0: 12.3			1
<u>Shanghai</u>				
1982:1981 Jan-Apr	GVI0: 7.3			7
1982:1981 Apr	LI: 8.2	Net incr: 0.886		7
1982:1981 Apr	HI: 6.1	Net incr: 0.514		7
1982:1981 Apr	GVI0: 7.3	Net incr: 1.4		15
1981:1980	GVA0: 14.8	2.8		8
1981:1980	GVI0: 3.3	64.8		8
1981:1980	GVAIO: 3.7	67.6		8
1981:1980	LI: 9.6	36.2		8
1981:1980	HI: -3.8	28.6		8
1981:1980	Nat income: 4	29.2		8

<u>Date; or Period of Comparison</u>	<u>Increase, in Percent</u>	<u>Value, in billion yuan</u>	<u>Percentage of Annual Plan</u>	<u>Source</u>
<u>Sichuan</u>				
1982:1981 1st Q	GVI0: 12.7			14
1982: Mar/Feb	GVI0: 15.7			14
1981: Mar/Feb	GVI0: 15.1			14
1982: Mar/Feb	Coal output: 3.3			14
1982: Mar/Feb	Average daily power output: 5.2			14
<u>Yunnan</u>				
1982:1981 1st Q	GVI0: 17.78			16
1982:1981 1st Q	HI: 6.81			16
1982:1981 1st Q	LI: 27.19			17
1982	GVI0: 4.5 (projected)			18
1982:1981	Ind output goal: 4.5			20
1982:1981	LI goal: 8			20
1982:1981	HI goal: 1.2			20
1981:1949	GVAIO: 7.6 times			19
<u>Zhejiang</u>				
1982:1981 1st Q	GVI0: 13.3			5

Source

1. Jinan DAZHONG RIBAO 9 Apr 82 p 1
2. Lanzhou GANSU RIBAO 18 Apr 82 p 1
3. Beijing GONGREN RIBAO 7 Feb 82 p 1
4. Shijiazhuang HEBEI RIBAO 8 May 82 p 1
5. Harbin HEILONGJIANG RIBAO 16 Apr 82 p 4
6. Wuhan HUBEI RIBAO 27 Dec 81 p 3
7. Shanghai JIEFANG RIBAO 6 May 82 p 1
8. Ibid., 27 May 82 p 2

9. Shengyang LIAONING RIBAO 7 Apr 82 p 1
10. Ibid., 16 May 82 p 2
11. Guangzhou NANFANG RIBAO 12 May 82 p 2
12. Xi'an SHAANXI RIBAO 22 Apr 82 p 2
13. Ibid., 14 May 82 p 1
14. Chengdu SICHUAN RIBAO 10 Apr 82 p 1
15. Shanghai WEN HUI BAO 6 May 82 p 1
16. Kunming YUNNAN RIBAO 13 Apr 82 p 1
17. Ibid., 17 Apr 82 p 1
18. Ibid., 25 Apr 82 p 1
19. Ibid., 14 May 82 p 2
20. Kunming YUNNAN WUZI SHICHANG 1 May 82 p 1
21. Hangzhou ZHEJIANG RIBAO 1 Dec 81 p 1
22. Beijing ZHONGGUO CAIMAO BAO 6 Feb 82 p 1
23. Beijing ZHONGGUO NONGMIN BAO 21 Feb 82 p 1
24. Hong Kong ZHONGGUO XINWEN 24 May 82 p 7
25. Ibid., 25 May 82 p 1

CSO: 4006/487

YUNNAN MEETING ON MINORITY NATIONALITY ECONOMY

HK140115 Kinming Yunnan Provincial Service in Mandarin 1100 GMT 11 Jun 32

[Text] The Yunnan Society of Minority Nationalities Economy recently held its first symposium in Kinming. The members of the society who participated at the symposium presented their views on developing the minority nationalities economy in Yunnan province at the present stage, and thus reached a unanimous conclusion. Yunnan is the border province with the most minority nationalities in our country. Therefore, the participants realized, conscientiously studying the minority nationalities economy in the province, both its past and present, internal and external conditions, and so on, will be of great importance to the development of the minority nationalities' economy in the province. Many comrades gave their own opinions on how to develop the minority nationalities' economy in Yunnan province at the present stage. This was truly a good beginning for promoting the studies in the field of the minority nationalities' economy.

CSO: 4006/489

SHANXI FULFILLS FIRST QUARTERLY FINANCIAL PLAN

Taiwan SHANXI RIBAO in Chinese 12 Apr 82 p 1

[Article by Feng Zhoujie [7458 0719 2638], Wu Xinwei [2976 2450 0251], Zhang Zhiying [1728 1807 5391] and Yang Jun [2799 0193]: "Our Province Fulfills Revenue Plan for First Quarter of Year"]

[Text] As a result of the development of production, the total revenues of our province for the first quarter of this year came to 478.02 million yuan, or 24.63 percent of the target set for the entire year and exceeding the quota set by the plan for the quarter. Revenues for the quarter showed an increase of 107.24 million yuan, or 28.92 percent over the amount for the same period last year.

Among the revenue receipts for the first quarter, revenues from the enterprises and the various industrial and commercial taxes all showed a considerable increase. Revenues from the enterprises increased by 38.75 percent, while industrial and commercial revenues increased by 22.71 percent over the amount for the same period last year. The revenues of the localities and cities also showed an increase. Nine prefectures and municipalities, namely, Yanbei Prefecture, Yangqu Municipality, Xinxian Prefecture, Yancheng Prefecture, Linfen Prefecture, Taiyuan Municipality, Jinzhong Prefecture, Jindongnan Prefecture and Changzhi Municipality, have all fulfilled over 24 percent of the target set for the year.

The success in fulfilling the target set by the plan for the first quarter of this year may be attributed to the development of production and the achievement of higher incomes. The increase in the value of industrial production has added over 70 million yuan to the amount paid to the government for the same period last year. Higher profits were made by not a few of the enterprises as a result of readjustments, better leadership and more efficient administration. For example, after readjustments had been made, the Datong Pharmaceutical Works realized a profit of 1.2 million yuan in the first quarter, or 7 times the amount for the same period last year. The Taiyuan Steel Works, after having adopted 70 administrative measures, realized a profit for the first quarter of this year of 5 million yuan over the amount for the same period last year. In the first quarter, the Yangqu Mining Bureau paid the government 15.74 million yuan in profits, or 4 million over the amount for the same period last year. The Taiyuan Cigarette Factory and

the Taiyuan No 1 and No 2 Pharmaceutical Works all realized higher profits from their production during the first quarter.

The increase in revenues of the province during the first quarter was made possible through the efforts made by the large number of cadres in the revenue services. They have made the contributions expected of them in the fulfillment of the plan for the collection of revenues set for the first quarter by making increased efforts to collect revenues, to look into the finances of the enterprises and to see to it that delinquent taxes were paid to the government in time by the enterprises.

9621

CS0: 4006/434

INDUSTRY

WORK CONFERENCE ASSESSES INDUSTRIAL PRODUCTION

OW130248 Beijing XINHUA Domestic Service in Chinese 1148 GMT 12 Jun 82

[Text] Beijing, 12 Jun (XINHUA)--In the first 5 months of 1982, the production of China's industrial and communications departments increased steadily. The overall situation in coal, electric power and petroleum production was fairly good. The production of the metallurgical and machine-building industries, particularly the farm machinery industry, picked up rather quickly. Light, textile and electronic industries made preliminary achievements in readjusting product variety and produced more marketable products than before. The transport department overfulfilled its transport task every month.

These results were announced by a responsible person of the State Economic Commission at a production work conference today. The responsible person of the State Economic Commission also said: In the first 5 months of this year, the state-operated industrial enterprises included in the national budget earned 10 percent more profits, paid 10 percent more taxes and lowered comparable costs by 0.2 percent as compared with the corresponding period of 1981. These enterprises achieved steady improvement in the quality of more than 50 percent of their major products. Their material consumption either decreased or remained unchanged as compared with the first 5 months of 1981. Both the number of enterprises which incurred losses and the total amount of their losses decreased.

However, the responsible person of the State Economic Commission said that there were some new circumstances and problems worth our attention concerning industrial production and transport in the first 5 months of this year. These problems primarily concerned the overstocking of some products, excessive generation and use of electricity and inattention to production safety, which resulted in a series of major accidents.

Regarding industrial production and transport tasks in the second half of this year, the responsible person of the State Economic Commission said: Our central task in the second half of the year is to continue improving economic results of the society.

He stressed: It is necessary to strictly control the production of excess products. In the third quarter, we should revise the annual plan for some

excess products and for products which are in short supply. Various localities and departments should make necessary adjustments to annual plans for various products under their management. Departments and enterprises should bear the responsibility for overstocking of products caused by their pursuit of output value and profit and their blind expansion of production. Commercial and material departments should refuse to buy their products and banks should refuse to extend loans to them. The state will not subsidize them. The production, construction, supply and marketing departments first should use products in stock as much as possible before they arrange new production.

In addition, he pointed out: We should strengthen the ties between industrial and commercial departments. We should resolve problems in commodity circulation. In particular, we should not obstruct commodity circulation with blockades on the purchase and marketing of industrial products. We should improve the management of energy and continue to do a good job in energy conservation. The transport department should further improve transport arrangements, give high priority to transporting coal, petroleum, medicinal herbs and material for supporting agriculture, and make proper distribution of transport tasks between railways and waterways and between railways and highways.

The responsible person of the State Economic Commission emphasized: We should pay attention to the consolidation and production safety of enterprises. We should make efforts to prevent heatstroke by lowering temperatures in factory buildings and to prevent floods and fire during the summer and rainy season.

CSO: 4020/140

INDUSTRY

XINJIANG INCREASES LIGHT INDUSTRIAL PRODUCTION

OW180806 Beijing XINHUA in English 0717 GMT 18 Jun 82

[Text] Beijing, 18 Jun (XINHUA)--Industrial output value of Xinjiang Uygur Autonomous Region rose by 8.77 percent in 1982's first 4 months from the same 1981 period fueled by an 18 percent increase in light industry, according to today's PEOPLE'S DAILY.

The nation's economic readjustment, emphasising light industrial and consumer-goods production, has resulted in the reorientation of many heavy industries.

In Xinjiang, one tractor part plant and a number of other heavy industrial enterprises will be converted to textile production this year, the paper says, while an iron and steel mill has been converted into a glass works, producing 900,000 cases of plate glass annually, and a cement factory with an annual output of 70,000 tons.

Output of cotton, cotton yarn, knitting wool, liquors, matches, leather boots, shoes and dozens of other goods has increased in the January-April period, the paper says.

Quarterly output of the region's light industries has, for the first time, exceeded that of its heavy industry, the paper says, while plans are being made to expand, build or reorient another 70 factories for production of textile duzbuilding materials and other light industrial goods.

The region produces 100,000 tons of cotton each year and has bountiful resources of petroleum, coal, furs, hides, sugar beets, fruit and other farm products. A new brewery, now being renovated, is expected to produce between 5,000 tons and 7,000 tons of beer in 1983, the paper says.

CSO: 4020/140

DOMESTIC TRADE

PROBLEMS IN PRICING POLICY DISCUSSED

Beijing JIAGE LILUN YU SHIJIAN [THEORY AND PRACTICE OF PRICING] in Chinese No 2, 20 Mar 82 pp 6-11

[Article by Chen Baosen [115 1405 2773] and Liang Wuxia [2733 2477 3838]: "Several Problems Concerning the Pricing Policy"]

[Text] 1. In 1979, the state increased by a wide margin the procurement prices for 18 main agricultural products and initiated the system of negotiated procurement and negotiated marketing for three categories of agricultural sideline products. These measures have played a positive role in reducing the price disparity between industrial and agricultural products, in encouraging the peasants to increase their output and in enlivening the market by promoting the development of commodity economy. If the retail prices are not raised to correspond to the new procurement prices, the enterprises will suffer losses from the reversed order of pricing. Increased retail prices, however, will affect the workers' livelihood. To solve this problem, the state has adopted this measure: readjustment of retail prices for eight items of nonstaple foods along with the grant of a monthly allowance of 5 yuan to each worker, and government subsidies for the sale at losses of the other items. The readjustment of retail prices for these nonstaple foods brought about an increase in market prices. According to statistics released by the State Statistical Bureau, the general retail price index (which also covers the list prices, negotiated prices and market prices) in 1979 was higher than in 1978 by 1.9 percent, and that in 1980 was higher than in 1979 by 6 percent. The increase was 8.1 percent in cities and 4.4 percent in the countryside during this period. The increase in commodity prices in 1980 was the cause of an increase of 11 billion yuan in the expenditures of the urban and rural population. Because of the price hike, the city residents had to increase their expenditures by 64.8 billion yuan, averaging 6.5 yuan, or 1.5 yuan above the monthly allowance, for each worker. The margin of increase would be wider if unauthorized or disguised increases in prices and the enlarged scope of negotiated prices were taken into account. Thus the pressure of the price hike was more and more keenly felt by the broad masses, especially those with low income and many dependents.

The chain reaction touched off by the increases in the procurement prices of agricultural products and in the wholesale prices of coal and pig iron brought about a corresponding increase in the production costs of light industry

and handicrafts. Therefore, the prices of some of these products have already been increased while demands are being made for increases in the price of others. Thus the consumers want to have stable prices while the producers want to have increased prices. This is a very sharp contradiction in people's economic life at present, and is one aspect of the case.

If we look at the other aspect, we will find the parity in prices somewhat irrational. The irrational price parity between industrial and agricultural goods has been improved markedly, after repeated adjustments, particularly the large-scale increase in the procurement prices for agricultural products. However, some irrational price parity still exists among industrial products. In heavy industry, for example, the profit of hot-rolled stainless steel is several times that of cold-rolled stainless steel, although the work process for both is about the same. Again, large and medium-size thick steel plates bring greater profit than that of small thin steel sheets, while steel wires requiring more complicated work process are sold at a lower price than that of plain steel material. The profits for the raw and semifinished material industry are much higher than those for the processing industry which may even incur losses. Another good example can be found in the case of iron ores, because profits for the mining and tunneling trade are generally very low. In the light industry, many products with agricultural products as raw materials are low in prices, while those with new industrial products as raw materials are high in prices. For example, the prices of plastic and chemical fiber products are very high. In the textile industry, terylene-yarn fabrics are sold at high prices with high profits, while cotton yarn fabrics are sold at low prices with small profits. In the instrument and meter trade, the products used as industrial accessories are sold at high prices with high profits, while those for civilian use are of low prices and bring little profit. Furthermore, there are irrationalities in the price parity in industry between the spare parts and the main machines and between old and new products of various specifications and quality levels. After all, the products of high prices and good profits are now being blindly produced while those of low prices and small profits are in short supply. In other words, the goods already in excessive supply cannot be reduced, while those in short supply cannot be increased, thus adversely affecting the readjustment of the proportionate relationship in the national economy. This is another contradiction which cannot be ignored in our present economic life.

The causes of these two contradictions in the question of pricing are not entirely the same. Now they are interwoven in such a way as to give the impression that if we want to have stable prices, we cannot adjust the prices because price adjustment will make it difficult for the prices to be stabilized. However, if we will analyze this matter, it will not be difficult for us to find some clue to the resolution of these contradictions.

11. There are mainly three causes for the price inflation: first, financial deficit and currency inflation resulting in currency depreciation; second, national economic imbalance resulting in a shortage of commodities in relation to demand, not counting unwanted goods; and third, the increase in production costs as a result of blind commandism. All these three causes can be boiled down to one, namely, the "leftist" errors which have for a long time existed in our economic work.

We had financial deficits for 5 years during the 10 years of turmoil. After smashing the "gang of four," we again committed the error of being overanxious for quick success and over-extended our capital construction front. The resolution and measures adopted at the 3d Plenary Session of the 11th Party Central Committee to raise the procurement prices for agricultural products and to increase consumption were all correct, but for various reasons, the scale of capital construction was not reduced and distribution was excessive in relation to national resources. As a result, we had 2 consecutive years, 1979 and 1980, of financial deficits with over-issuance of currency. Provided the volume of commodities and the amount of currency in circulation remain unchanged, the increase or decrease in prices are in direct proportion to the amount of currency: the more the currency, the higher will be the prices. Price hike from currency inflation is an objective law which is independent of people's will.

Because of imbalanced national economy, there would be a shortage in the supplies of materials, means of productions and consumer goods, except for the unwanted goods. In 1980, the sources of consumer goods fell short of the purchasing power for consumer goods by billions of yuan. Therefore, the prices of commodities in short supply tended to rise. This is the inevitable result of the law of value expressed in the relationship between supply and demand.

Production costs and prices are closely related. According to Marxist economic theories, the value of a product is formed of three components, namely, that part of value transferred from the means of production to the finished product, called "c"; the created value by the producer, called "v" (the necessary labor); and the surplus labor value, called "m." The sum of c and v, expressed in monetary terms, generally corresponds to the production cost. Therefore, production cost is the main component of price. If we will review the changes in the production costs of comparable products in our industrial enterprises, we will see that the production costs were lowered every year during the 1st 5-Year Plan; that from 1958 to 1961 following the Great Leap Forward, there was an unprecedented rise in production costs; that after the readjustment, there was a gradual return to normal with a downward trend in production costs beginning in 1963; and that during the 10 years of turmoil, there were again 2 large-scale rises in production costs. All these erratic changes were closely related to the leftist errors in economic work and blind commandism in production. Now let us look at the product cost for every 100 yuan's sale by state-run enterprises. It was some 60 yuan in normal years, but during the 3 difficult years following the Great Leap Forward and for many years during the 10 years of turmoil, it rose to more than 70 yuan. There was some reduction after the downfall of the "gang of four," but in 1979, it was still as high as 92.4 yuan, 5 yuan more than the 67.5 yuan in 1966. Rise in production costs naturally makes the stabilization of prices difficult.

We have already witnessed the price inflation during the 3 difficult years after the Great Leap Forward. The contradiction was alleviated after the readjustment; in the 10 years of turmoil, it was again set off in bold relief, although for some time it was concealed behind frozen commodity prices. In 1978, the adventurous advance and certain mistakes in our work revealed and intensified the contradiction.

Price is the monetary expression of value. The value of products, and the price parity of commodities as well, change along with the rise and fall of labor productivity. However, our price control still cannot measure up to this objective requirement. During the 10 years of turmoil, the price control organs were basically abolished, and the system of planned control of prices, set up during the 1st 5-Year Plan was undermined, with the result that prices could not be rationally adjusted in time. At the same time, with the continued deterioration in the quality of our economic work, prices were set according to the major categories, and taxes were collected according to different trades. The roles of pricing and taxation in regulating production and guiding consumption were weakened, and, as a result, some irrational price parity, which could have been readjusted after certain investigations and study, was frozen. Even in the same trade, some products with high prices and good profits were seriously overstocked, while others with low prices and low profits were often in short supply and even had to be imported. For example, among steel materials, the large and medium-size thick steel plates and large steel pipes which are sold at high prices and with good profits, are being overstocked, while the steel wires and other small steel products have to be imported in large quantities from abroad. Small steel wires can be easily produced; but why are they in short supply? One of the important causes is that their prices were set during the war against U.S. aggression and in aid of Korea when these prices were reduced as much as possible as a means to prevent private businessmen from getting windfall profits. Since then, the prices have not been basically changed. The large steel products on the other hand were new products in the late 1950's and early 1960's when the production costs were high, and the set prices were also high. Another reason for the overstocking of large and medium-size steel products and the short supply of small steel products is that in planning, steel production is counted in tons, and it is easier to fulfill the production plan by producing large and medium-size than by producing small products. Furthermore, in evaluating the output value, large products have the upper hand, and that is why in striving for output value, production plans are disregarded. These problems should have been solved long ago, since they can be easily solved. Yet they still remain, mainly because of our mistakes in pricing and in failing to apply the law of value. There are also many similar conditions in light industry. In the enamel industry, for example, the production costs are low and the profits are high for plain white washing basins and persimmon-shaped spittoons, while the reverse is the case for washing basins with floral designs and long-legged spittoons. The industrial enterprises are willing to produce more plain white washing basins and persimmon-shaped spittoons, with serious overstocking as the result.

Of course, the difficulty to change planned prices is also related to financial deficits and price instability. Huge deficits occurred in 1979 and 1980 because of excessive distribution in a hasty attempt to raise the people's standards of living. The scope of capital construction was not reduced either. When there was an imbalance between financial receipts and expenditures, it would naturally be difficult to stabilize the prices. Under such financial and price conditions, increased prices may probably intensify the price inflation while decreased prices may probably upset the balance between financial receipts and expenditures. The readjustment of irrational price parity may be seriously handicapped.

The problem of price parity was not obvious during the 3 difficult years, not because of the nonexistence of the problem but owing to the fact that under the system of unified handling of all receipts and expenditures by the state, the profits from products were not directly related to the material benefits of the workers and staff members, and therefore provide no incentive to production. Under the present system of profit-sharing by the enterprises, however, the effects of high and low prices and large or small profits on production have become obvious.

What has been mentioned so far is the crux of the pricing problem.

III. We are of the opinion that price inflation is inseparable from the "leftist" mistakes. Since the "leftist" mistakes can be corrected, the problem of price inflation can certainly be solved. However, we cannot expect quick execution, since "leftism" is the "cause" and price inflation is the "result." If the proportionate relationship is not readjusted well; if industrial and agricultural production cannot be boosted; if the financial deficits cannot be wiped out; if enterprise management cannot be satisfactorily reorganized; and if the rise in production costs cannot be controlled, it will be impossible to "bring down the fever" of price inflation.

In solving the problem of price inflation, therefore, we must "remove the burning firewood" instead of "putting the cart before the horse." We must deal with the root cause. In other words, we should on the one hand readjust the economic structure and the product mix, strive to increase production and practice economy, and increase the output of the means of production--which are in demand--and the supply of consumer goods in order to lay the material foundation for market price stability. On the other hand, we should reduce the accumulation, restrain the demand and strive for financial and credit balances so as to create the necessary conditions for stabilizing commodity prices. The important policy decisions made by the party Central Committee and the State Council to promote production (of consumer goods), to reduce the scope of capital construction, to restrain demands and to strive for financial and credit balances, have already shown preliminary success. We should hereafter continue to conscientiously implement these policies. While promoting production, we should at the same time restrain the demands; otherwise it would be difficult for financial receipts and expenditures to be balanced and for commodity prices to be stabilized. To be specific, wages--except those for some personnel which must be readjusted--should not be increased in the near future; bonuses must be controlled at the present level and not be further increased; and the procurement prices for agricultural products should remain as they are for some time. It is particularly necessary to stop such practices as reducing the base figures for the procurement of grain and edible oil, increasing the quantities of procurement at increased prices, or negotiated prices, and then selling at low prices, and other forms of price increase in disguise. The temporary restrain on demands at present is necessary as a means of better satisfying people's needs in the future. If this is clearly explained to the masses, they will certainly respond with understanding.

Another matter we should very strongly emphasize is economic accounting on the basis of enterprise reorganization as a link in the reduction of production costs. Production cost control is now a weak link in enterprise management. Under the influence of the "leftist" ideology in more than 20 years, people were urged to pay attention to political instead of economic accounting. This ideology was at its zenith during the 10 years of turmoil, when production cost was disregarded in production, labor was not accounted for in remunerations, accounting was ignored in economic work and "putting profits in command," "control, restriction and suppression," and so forth, were strongly criticized. Socialist economy was then topsy-turvy, and the very foundation of cost control, already weak, was almost completely destroyed. In the process of production, cost should be the monetary manifestation of the consumption of material and live labor in the course of production. Other expenses which are unrelated to this type of consumption should not be included in the production cost. In many enterprises, however, there are no set quotas, no first-hand records and no systems of measuring quantities or value. Some of them even keep their accounts retroactively. All raw and semifinished materials, minus those being kept in stock, are included in the production cost, which also covers all the losses from all forms of corruption and embezzlement. Furthermore, there is no limit to expenses incurred in the name of production cost which, like a rubber bag can hold anything such as the welfare for workers and staff members, including their dormitories, and the various social commitments apportioned among the enterprises. Because of the falsification of accounts, production costs have ceased to be realistic and controllable. The root cause of these defects is again the "leftist" errors in economic work. Unless this problem is solved, we will be helpless in not only reducing production costs, but also in leading our enterprise management on to the proper channel. Without set quotas and first-hand records as the foundation, it would be extremely difficult to practice the reward system of "to each according to his work." Therefore, we must eliminate the leftist ideology, strengthen the system of financial control among the enterprises and lower the production costs as our urgent tasks of the moment. This is the basis of microeconomic management as well as national economic management.

furthermore, we have to strengthen macroeconomic management, readjust the economic structure and the product mix, and streamline the enterprise lineup and organizational structure along the lines of specialization and coordination. These are the basic measures to lower social production costs and to improve the economic results, involving strategic problems of key importance, as well as the important factors in stabilizing commodity prices. If macroeconomics is not well handled, microeconomics cannot be improved since the two are mutually supplementary. The most important factor in macroeconomic policy decisions is the proportionate relationship. During the 3 years of Great Leap Forward and the 10 years of turmoil, the national economy was in disproportion, economic accounting was overlooked or even ignored, and production cost control was frowned upon, thus causing a widespread skyrocketing of social production costs for the principal products. Let us take for example the production cost of pig iron among the key enterprises throughout the country, with 100 as the base figure of the average per-ton production cost in 1957. It rose to 158 in 1961, dropped to 103 in 1966 and rose again

to 149 in 1976. The base figure of the average per-cubic-meter production cost of timber was 100 in 1957. It rose to 150 in 1961, dropped to 104 in 1966 and rose again to 169 in 1976. These conditions show the correctness and mistakes in the macroeconomic policy decisions, the rationality and irrationality in the national economic structure, as well as the profound effects of production costs from the microeconomic point of view. Because of the harmful effects of leftism in the past 30 years since the founding of the People's Republic, we have for more than 1/2 of this whole period taken the road of high accumulation and poor economic results which led to the financial deficits and unstable commodity prices in recent years. According to statistics by the relevant departments, the national industrial output value in the first half of 1981 was higher, but the profits were lower by 12.3 percent compared with the same period in the previous year. At the same time, the number of enterprises incurring losses was much increased--by 22.9 percent over the same period in the previous year. This number accounted for 31.5 percent of all industrial enterprises, and the losses totaled 2,179,000,000 yuan, an increase of 775 million yuan, or of 55.2 percent over the same period in the previous year. This shows the seriousness of the problem of failing to handle economic management well. We must improve the management in both the macroeconomic and microeconomic aspects and quickly turn the losses into profits; otherwise, this will produce extremely harmful effects on the stabilization of prices.

IV. There are now three major problems in price parity: first, with the price parity between industrial and agricultural products; second, with the price parity between the mining-tunneling industry and the processing industry; and third, with the price parity between the grain and the cash crops. Here, we will deal with the first problem at some length.

The situation in price parity between industrial and agricultural products has been markedly improved since the increase in the procurement prices for agricultural products in 1979. If the base figure of prices in 1978 was 100, then in 1979, the general index of procurement prices for agricultural and sideline products was 122.1, and the retail price index for industrial products in the countryside was only 100.1. As shown by the data in a large number of typical investigations and study, the percentage of benefits--derived from tax reduction--in the production cost (including materials and labor costs) of the principal agricultural products, that is, the pure benefit rate of the production cost, in 1979 was considerably higher than in 1978. For example, the gain for rice was raised from 10.1 percent to 42 percent; for wheat, the 5.19 percent loss was turned into a 14.1 percent gain; for cotton, the gain was raised from 14.9 percent to 35.2 percent; and for cured tobacco, the gain was raised from 28.5 percent to 33.9 percent. Such profit rates in industry cannot be considered low. Again, let us look at the rate of increase in the income of workers and peasants. The workers' wages in 1979 was higher than in 1978 by 9.4 percent. In the same period, the average income for each person from the distribution of benefits in the basic accounting units of the rural people's communes was increased by 12.7 percent. Again, according to typical investigations conducted on more than 10,000 households in 23 provinces, the average net income of each peasant

from collective distribution and from household sideline occupation was increased by 19.9 percent in the same period. This shows clearly the narrowing of the gap between the income of workers and peasants. Many people feel that the present difference between industrial and agricultural products is still quite large; therefore, they are in favor of further raising the procurement prices for agricultural products in order to improve the peasants conditions of living. It is true that the present standard of living for peasants is low and that there is some difference between the income of workers and peasants. However, we must also note the following facts: (1) The standards of living for both workers and intellectuals are also low, and long and painstaking efforts are required to improve gradually the conditions of living for all the people. (2) Conditions for living have been improved for both workers and peasants. The average wages for workers and staff members under the system of ownership by the whole people in 1979 were 10.7 percent higher than in 1978, and in the same period, the index of living expenses rose by 12.2 percent. If the increase in prices is taken into account, the average actual wages have been slightly decreased. However, we have for a long time adhered to the "more jobs at lower wages" policy, and job opportunities have continued to increase. The average number of working people in each family has increased and the number of persons to be supported by each laborer has been gradually reduced from 3.4 (including the laborer himself) in 1956 to 1.8 in 1980. If the constantly increased state subsidy is considered, the average annual consumption for each worker in 1979 approximately doubled (or rose by 102 percent over) that in 1957. The average income for each peasant from collective distribution in 1979 exceeded that in 1957 by 105.7 percent. If the increase in prices, household sideline occupations and other factors are taken into account, the average annual consumption for each peasant in the same period was nearly doubled (or raised by 96.2 percent). Please note that such achievements were made even though the population of peasants had been increased by more than 50 percent. (3) The differences between workers and peasants and between cities and the countryside still exist, and the income of workers and peasants cannot be compared in an over-simplified way. Chairman Mao has pointed out: "It is not right simply to compare a peasant's average annual income with a worker's and jump to the conclusion that one is too low and the other too high. Since the labor productivity of the workers is much higher than that of the peasants and the latter's cost of living is much lower than that of workers in the cities, the workers cannot be said to have received special favors from the state." ("Selected Works of Mao Zedong" Vol 5 p 381)

Our task is to eliminate the difference between workers and peasants. However, we must carry it out steadily in the process of socialist construction instead of rushing it through. The fundamental way to solve the problem of the peasants' livelihood is to raise agricultural productivity. If we deviate from this way and simply raise the procurement prices for agricultural products, the only effect is to enable the peasants to possess more money. This is beyond our present financial resources, but a more important reason is that there are not enough industrial commodities (both means of production and consumer goods) for the peasants to buy with the money in their possession. Thus neither the peasants' livelihood nor agricultural productivity can be raised. Disregard in the balance between purchasing power and the

availability of commodities will certainly lead to currency inflation and the increase of prices, and adversely affect people's livelihood. Then it will be not only an economic, but also a political issue.

We are of the opinion that the sharp difference between industrial and agricultural products is essentially a difference between workers and peasants. Elimination of the difference between workers and peasants is a long historical task and the basic way to accomplish it is by raising agricultural productivity. The main way to raise agricultural productivity is to reorganize management, to apply science and technology, to develop economic diversification, and to improve the agrotechnical equipment. In other words, we should first rely on correct policies, second, rely on science, and third, rely on industrial support. As for the pricing policy for agricultural products, based on the present national conditions, we can only make these attempts: (1) Help the production units make some gains after recovering their costs; (2) avoid any reduction of industrial products in their exchange for agricultural products, and try to increase them gradually by lowering the production costs of industrial products; and (3) provide more real benefits to the peasants by preventing any further enlargement of the worker-peasant difference. At the same time, we should clarify to the peasants these points: (1) Part of the value created by peasants belongs to the society in the form of social deduction; (2) the surplus product benefits from increased industrial labor productivity cannot be passed over to peasants through pricing, since industry still has to be developed, and it will be impossible to raise agricultural productivity without the technical equipment supplied by a strong industry; (3) the increase of agricultural product prices will lead to a redistribution of national income among the state, the workers and the peasants, and excessive distribution will lead to financial deficits, currency inflation, and then an increase of commodity prices which will hurt both workers and peasants, since national income within a certain period is only limited; and (4) increase of production and practice of economy is also necessary for agriculture, and the main source of increased income for peasants is to lower the production costs while developing production so that there will be increases in both production and income. Because of the universal introduction of the system of production responsibility in 1979 and 1980, the peasants have acquired decisionmaking power in farming and there is already the gratifying spectacle of lower production costs for agricultural products. According to a typical nationwide survey, the average production cost rate in production (that is, the ratio of production cost to the output value) for six different grain crops (rice, wheat, millet, maize, sorghum and beans) was 93.82 percent in 1978 and 74.27 percent in 1979, a 20.84 percent drop. However, reduction of production cost alone is not enough. We must recognize the need for scientific farming and stress economic results. We must not strive for output regardless of cost as we did under blind commandism in the past. After all, the basic question of increasing the peasants' income and reducing the difference between workers and peasants is how to raise agricultural productivity so that the peasants can increase their income from their increased output. In raising agricultural product prices, we must consider the interests of the state and the peasants. In view of the present overall economic situation, the procurement prices for agricultural products should remain stable for several years, and we cannot again stress the need for price increase as a means of making the peasants wealthy.

'FAVORABLE ASPECTS OF SMUGGLING' ARGUMENT ANALYZED

Guangzhou NANFANG RIBAO in Chinese 9 Apr 82 p 2

[Article by Chen Li [7115 4409]: "An Analysis of the 'Favorable Aspects of Smuggling' Argument"]

[Text] With the intention of confusing the public and covering up their own criminal activities, some elements engaged in smuggling and dealing in contraband goods have come up with numerous "high-sounding rationalizations." Some of the rationalizations most frequently advanced include such arguments as "smuggling has its favorable aspects," "contraband articles are cheap and therefore of benefit to the people," and "smuggling yields high profits and is therefore good for the units and the localities." It was the same Wang Zhong [3769 0112], former secretary of the Haifeng County Party Committee, who said that "the profits realized from smuggling can be used for construction projects" and that "there is no need to make a big fuss" about smuggling. The "high-sounding arguments" extolling "the benefits of smuggling to the people" and "the advantages of smuggling to the nation" do not, needless to say, have a leg to stand on. Nevertheless, by associating smuggling with such euphemistic terms as "benefits to the people" and "advantages to the nation," these utterances have captured the imagination of some people. That is why it is absolutely necessary to lay bare the absurdity of such arguments.

Smuggling is extremely detrimental to the interests of the nation. Not only does it result in heavy financial losses to the government, but, from a certain point of view, also does serious damage to the nation's sovereignty. The customs service and customs duties are important aspects of a nation's sovereignty. At the conclusion of the Opium War, the imperialist powers imposed on us by dint of force a series of unequal treaties, among which was one which deprived us of our control over customs and our sovereignty over the collection of customs duties. Thus, the imperialist powers were able to engage in the large-scale smuggling of goods into our country, to evade the payment of customs duties, to dump large amounts of commercial commodities into our country, to throttle our industrial and commercial enterprises and to plunder the wealth of our nation. According to historical records, because of the rampant smuggling activities, although there was no reduction in the amount of imported "foreign goods" into Guangzhou between 1844 and 1848, there was a large reduction in customs receipts. While customs receipts in 1844 came to

1,360,830 silver dollars, they dropped to 1,824,045 silver dollars in 1848. Within the period of 4 years, the customs suffered a loss of more than 50 percent in customs receipts. Thus, whether in the days of the old China or in the present day and age, smuggling and trading in contraband goods whittle down our sovereignty, bring shame upon the nation and damage the interests of the nation and the people. Smuggling is thus something which cannot be condoned by any sovereign nation.

Today, smuggling activities also deal a direct blow to our industrial production. At one time, such "foreign goods" smuggled into our country as television sets, radios and recorders, electronic calculators, watches, umbrellas, nylon materials and other manufactured goods filled every corner of the market in many cities and villages, seriously affecting the sale of similar products made in our country and forcing some of our factories to cut back on production or even to suspend operations. This has had the effect not only of hampering the development of our industrial and commercial enterprises and the accumulation of funds for our construction projects, but also of damaging the direct interests of large numbers of staff members and workers as well.

Furthermore, smuggling activities have eroded the morals of some of our cadres and polluted our social climate. Some party members and cadres, tempted by the allure of quick profits, have engaged in smuggling and dealing in contraband goods and have turned into criminals. In areas where smuggling and dealing in contraband goods have reached epidemic proportions, many of the peasants have lost interest in farming and many of the fishermen have lost their desire for fishing. Thus, serious damage was done not only to agricultural and fishery production, but smuggling activities have also led to many other unlawful and criminal activities. With money in their pockets, those engaged in smuggling and trading in contraband goods, thoroughly corrupted, squander their money like dirt and seriously pollute the social climate.

There is no basis to the argument that smuggled goods are cheap and that smuggling is of benefit to the people. How can smuggling and dealing in contraband goods, which pose such serious danger to the nation, be of benefit to the people? Since the interests of our nation and the interests of our people are identical, what is damaging to the nation must be equally damaging to the people. Then again, while contraband articles appear to be cheap, many of the items are counterfeits or articles of inferior quality. For instance, most of the contraband watches are counterfeits and many are utterly worthless. Without exception, those who have bought such counterfeit articles are agreed that they have been taken in.

It is obvious that smuggling causes serious damage to the nation and the people and that the only people who stand to benefit from such operations are the law breakers and criminal elements. Many smugglers and dealers in contraband goods, having acquired sudden wealth, have built villa-style houses, furnished them with fine furniture, bought themselves all kinds of appliances and live extravagant and hedonistic lives. To say that smuggling "benefits the nation and the people" is just so much poppycock. What it really benefits are those who engage in smuggling and dealing in contraband goods. Thus, the argument advanced by those who engage in smuggling can be put to rest once and for all.

FAITHFUL EXECUTION OF ECONOMIC CONTRACT LAW URGED

Beijing ZHONGGUO CAIMAO BAO in Chinese 23 Mar 82 p 3

[Article by Liu Zhongya [0491 1813 0068]: "The Execution of the Economic Contract Law Must Be Regarded as a Serious Matter"]

[Text] Experience in the establishment of the legal system has proved that important as it is to draw up a code of laws, it is even more important to enforce it. To develop to the full the positive role which the economic contract law should play in the four modernization construction projects, it is essential that the various trades and businesses be made to abide by the law, to enforce the law and to deal with violations of the law in a stringent manner.

Since the economic contract law represents the basic yardstick by which contracts are signed and the terms of which are fulfilled by the judicial persons, the parties concerned should take it upon themselves to execute the terms of a contract in a conscientious manner. Due to imperfections in the legal system in the past, many of the economic contracts signed by the enterprises were incomplete, imprecise in the use of language, lacking in a clear-cut definition of responsibilities and incorrect in setting forth the rights and obligations, so that it was a common practice to evade the terms of the contracts. It was not unusual for the enterprises to tear up contracts at will and to delay or refuse to make payment for goods. Some units which were not judicial persons were given to signing contracts in an irresponsible manner and refusing to assume responsibilities when something went wrong. In order to deal with this problem, the economic contract law clearly defines the valid clauses of contracts, how they should be fulfilled, under what circumstances they may be altered or invalidated and the penalties to be exacted for failure to fulfill contract terms. From now on, these matters will be dealt with in strict accordance with the economic contract law. The basic purpose of these provisions is to uphold the legal inviolability of contracts so as to prevail upon the parties concerned to fulfill to the letter their obligations stipulated in the contracts and to provide an impetus to the development of production. So far as the parties involved are concerned, their rights and economic interests are protected by the government, and it is to their own advantage to abide by the terms of the economic contract law.

The leadership authorities of the enterprises and the concerned operations departments must also strictly observe the economic contract law. Since the signing and the fulfillment of economic contracts by the enterprises are actions of a legal nature and part of the normal business operations, they are entirely within the jurisdiction of the enterprises. However, over a long period of time, we had resorted chiefly to administrative measures to control the economy, and the leadership organizations and the operations departments were accustomed to interfering with the signing and fulfillment of contracts. They would sign contracts for and without the consent of their subordinate enterprises and let the enterprises assume responsibility for violations of contract terms. With the reform of the administrative system, economic and legal measures are mainly resorted to in the administration of the enterprises except for certain essential administrative measures. Since the economic contract law was put into operation, the government has mainly taken recourse to the law in supervising the fulfillment of contract terms. The leadership authorities and operations departments should no longer interfere at will with the signing of economic contracts and the fulfillment of contract terms. If the contracts are not fulfilled or not completely fulfilled as a result of the unwarranted interference by the leadership authorities and the operations departments, they should be held responsible for violations of contract terms. If they should sign economic contracts on behalf of the enterprises without authorization or if they should overstep the limits of their authorization, they and not the enterprises are to be held accountable. This will not only strengthen the sense of responsibility on the part of the enterprises, but will also help to improve the work of the responsible operations departments. By not interfering at will with the signing of contracts and the fulfillment of contract terms, it does not mean that the leadership authorities and the concerned operations departments have abandoned their responsibilities. According to stipulations of the economic contract law, they have the responsibility of exercising supervision over the economic contracts signed by the enterprises under their control, establishing the necessary control system and making the manner in which the economic contract is being fulfilled by the enterprises an index of the economic standing of the enterprises. At the same time, they are to be responsible for mediating and arbitrating disputes at the request of the parties concerned. These necessary supervisory measures have the effect of complementing the restraints imposed by the law.

The banks and credit cooperatives also have a special role to play in exercising supervision over the fulfillment of contract terms. The economic contract law stipulates that they should settle accounts, take in and pay out money, refuse to make payments or to make deductions for late payments according to the accounting system. Within the period stipulated by the mediation agreement signed by the parties concerned and which has come into force, they are not to take it upon themselves to enforce the terms of the agreement. In cases where arbitration decisions have been made or when judgment has been rendered by the court, they have the authority to deposit money which needs to be paid into the accounts of the parties concerned according to the terms of the arbitration agreement or upon notification by the arbiters or the law court. The faithful implementation of these provisions will greatly serve

to reduce contract disputes, to speed up the circulation of funds and to uphold the sanctity of the law.

The departments responsible for national planning have a great deal to do with the enforcement of the economic contract law. Since the socialist economy is a planned economy, no unit or individual is permitted to resort to the use of contracts to scuttle the national plan. It is by the use of economic contracts that the government seeks to incorporate, either directly or indirectly, the production of the enterprises, the communes and the brigades into the national plan. Economic contracts must be concluded by the parties concerned with a view to achieving the goal set forth in the mandatory plan handed down by the government, especially when they involve the production of commodities which have a major effect on the livelihood of the people. However, since the positions and economic interests of the parties to a contract are not identical, disputes are likely to arise in the implementation of the mandatory national plan. In such cases, it is up to the higher authorities of both parties responsible for planning to engage in mediation with a view to reaching an agreement. Clear-cut provisions for such eventualities are set forth in the economic contract law.

The industrial and commercial administrative authorities also have an important role to play in the enforcement of the economic contract law. They have the responsibility to supervise and to check on the implementation of certain economic contracts as well as to mediate and arbitrate economic contract disputes. The industrial and commercial administration bureaus and offices are after all responsible for the investigation and handling of cases involving speculation and unscrupulous practices. They are responsible for dealing with cases involving the signing of bogus contracts, the sale of contracts, the use of contracts to engage in speculation, the use of roundabout methods to reap profits, the illegal transfer of contracts, the offering and acceptance of bribes and other illegal acts which work against the interests of the nation and the people. Aside from turning over cases involving criminal liability to the judicial organs, they are also responsible for their settlement. Experience points to the likelihood that while effort is being made to enliven the market, certain speculative and illegal acts will be committed. Unless a struggle is waged against such action, it will not be possible to protect lawful operations, to establish a normal economic order and to put the economic contract system in good working order.

To establish the socialist legal system in a proper manner, it is essential to strengthen economic legislation and economic judicature. While it is important to have sound legislation, it is equally important to have a strict system of law enforcement. As was pointed out by Lenin, "the law counts for nothing in the absence of an organization capable of making people abide by the provisions of the law." The economic contract law stipulates that in the event of a contract dispute, the parties concerned may request the responsible authorities to mediate or to arbitrate the dispute, or they may directly file a formal complaint with the people's court. The compliance with the terms of an economic contract directly affects the interests of the enterprises. However, due to shortcomings in the work of law enforcement in the past, many disputes had not been promptly disposed of or had not been disposed of in a conclusive manner. There were also many who took advantage of contracts to

commit criminal acts without being subjected to proper penalties. To prevent the further occurrence of such activities, it is necessary to strengthen the work of the economic courts under the people's courts and the work of economic investigation of the people's procurators at various levels, and to speed up the establishment of courts specializing in railway transportation, water transportation and forestry. The operations departments and the industrial and commercial administration departments concerned must also establish close cooperation and coordination with the law courts to strengthen the work of mediation and arbitration in contract disputes in order to ensure "the strict enforcement of the law and punishment for law violations."

The proper enforcement of the economic contract law calls for good publicity work on and a good understanding of the economic contract law. Over a long period of time, due to the inadequacies of our economic legal system and the serious damage done by the "gang of four" over a 10-year period, the people had a poor understanding of the legal system. Not a few of them had no idea of what was meant by economic contracts, how to sign economic contracts, what responsibilities economic contracts entailed and how to handle contract disputes. Now that the economic contract law has come into effect, full use should be made of the different means to give it the publicity it deserves. The concerned departments, and especially the cadres of the economic departments and the enterprises, must make themselves conversant with the economic contract law so that it may be successfully enforced as from 1 July of this year.

9621

CSO: 4006/434

TRANSPORTATION

SHANGHAI EXPANDS SHIPBUILDING INDUSTRY

OW091328 Beijing XINHUA in English 1253 GMT 9 Jun 82

[Text] Shanghai, 9 Jun (XINHUA)--Fifty-one ships totalling 550,000 tons, or over 60 percent of China's ships made for export, have been built in Shanghai in the past 2 years, according to the city's shipbuilding department.

At present, various kinds of vessels have been put into mass production, including 10,000 ton plus class of ocean-going freighters, tankers and surveying ships; 5,000 ton marine passenger ships; and ice breakers, hovercrafts, trawlers, dredgers and salvage tugboats.

Along with expansion of China's marine projects, the municipal shipbuilding department said, shipyards in Shanghai have undertaken the manufacture of vessels for use in the offshore petroleum exploration, and drilling rigs.

The department further noted that the city's shipbuilding capacity constitutes more than 40 percent of the national total. In the past 3 decades, it added, Shanghai has designed more than 800 types of ships, of which, a total of 5,600 ships of around 400 models have been built and commissioned, and their combined tonnage has reached 3 million tons.

At present, Shanghai has employed 7,300 people on its marine engineering design and research projects, including over 2,680 engineers and 4,200 assistant engineers and technicians.

The city now boasts nine shipyards and four navigation instrument factories, each equipped with its own research unit, along with the Shanghai Shipbuilding Research Institute, the Marine Design and Research Institute of China, and the Shanghai Shipbuilding Institute under the Ministry of Communications, which were established successively since the 1950's.

In addition, the China Society of Shipbuilding Engineers has published two periodicals, "Shipbuilding in China" and "Shipbuilding Engineering," being distributed in China as well as in foreign countries.

However, before China's national liberation in 1949, the shipbuilding industry employed only a small number of technical personnel and turned mainly to foreign countries for the supply of parts or accessories to maintain the few ships that had been built with Chinese capital, the municipal shipbuilding department said.

CSG: 4020/140

TRANSPORTATION

BRIEFS

RAILWAY PASSENGER SERVICE--Beijing, 1 Jun (XINHUA)--A 1-month campaign to improve railway passenger and freight service was started today by China's 2.7 million railway workers. The main aim of the campaign is to enable the more than 2 million passengers that travel by train every day in the country to enjoy their trips better, and ensure safe running. According to the Ministry of Railways, China's railways carried 416.9 million passengers in the first 5 months of this year. The figure is expected to reach 490 million by the end of June. Many office cadres from railway departments have gone to work at stations or on passenger trains. They will take part in mopping floors, serving tea and food to passengers and soliciting their opinions while helping to improve the work in general. [Text] [OW041405 Beijing XINHUA in English 1233 GMT 1 Jun 82]

CSO: 4020/140

GENERAL

PREMIER ZHAO ZIYANG APPROVES RESEARCH PLAN

Shanghai SHIJIE JINGJI DAOBAO in Chinese 15 Mar 82 p 1

[Report: Zhao Ziyang Approves Plan of the Techno-Economic Center To Mobilize Economists To Participate in National Economic Research]

[Text] According to an announcement made at the first annual meeting on China's productive force economics, in order to enable Chinese economists to take better part in research on national economic development, Premier Zhao Ziyang on 8 February approved a plan put forward by the State Council's Techno-Economic Center to establish stable relations with the Chinese Research Society for Economics of Productive Forces, the Chinese Territorial Economics Research Society, the Chinese Capital Construction Economics Research Society, the Chinese Energy Resources Research Society, the Chinese Techno-Economic Research Society, and the Chinese Systems Engineering Institute, and to prepare to commission these research associations and institutes to conduct research on several special topics directly related to national construction. Delegates participating in the meeting said that they would enthusiastically undertake the tasks entrusted to them by the state and serve national construction with new achievements in research on productive force economics.

CSO: 4006/491

GENERAL

BRIEFS

BRITISH TRADE UNION DELEGATION--Beijing, 15 Jun (XINHUA)--Chen Yu, vice-president of the All-China Federation of Trade Unions, here this evening met and feted a delegation from the Union of Communication Workers of Britain led by Tony Clarke. They had a friendly conversation. The delegation arrived in Beijing yesterday for a visit to China at the invitation of the Postal and Telecommunications Workers' Trade Union of China. The guests will shortly leave here to tour Shanghai, Nanjing and Wuxi. [Text] [0W151930 Beijing XINHUA in English 1508 GMT 15 Jun 82]

CSO: 4020/140

Textiles

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TITLE: "Study of the Structure of Heat-treated PES Fibers by X-ray Diffraction Method"

SOURCE: Shanghai FANGZHI XUEBAO [TEXTILE JOURNAL] in Chinese Vol 3 No 5, 1982 pp 3-9

TEXT OF ENGLISH ABSTRACT: The primary filament of PES exhibits essentially a relaxed noncrystalline structure. It will be greatly changed during drawing and heat processing. A systematical investigation on the structure of the PES fibers at different heat treating temperatures has been carried out by X-ray diffraction method. The relative crystallinity is determined by powder diffraction technique and the three peaks of intensity curves are measured on the equator. The crystalline size perpendicular to the (010) and (100) planes is calculated from Scherrer's formula. Thus the superimposed effect of the diffraction peak is reduced and the measurement precision is improved. The orientation index is derived by measuring the curve of azimuthal intensity distribution on the (100) plane.

[Continuation of FANGZHI XUEBAO Vol 3 No 5, 1982 pp 3-9]

The long spacing is measured by small angle X-ray scattering technique, while the thickness of lamella is obtained by measuring approximately the diffraction line broadening of (103) plane at the point near the meridian, by means of wide angle X-ray diffraction technique. Thus the noncrystalline dimension can be derived by the combination of SAXS and WAXD.

It is obvious from the above measured parameters that the crystallinity, crystalline size, long spacing and lamella thickness of PES fibers increase with the increasing of temperature for heat treatment.

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TITLE: "A Study of Luster and Soft-handle on PES Filament Fabrics after Alkali Treatment"

SOURCE: Shanghai FANGZHI XUEBAO [TEXTILE JOURNAL] in Chinese Vol 3 No 5, 1982 pp 11-18

TEXT OF ENGLISH ABSTRACT: In this paper, the theory of silk-like appearance of the PES filament fabrics resulting from alkali treatment has been studied in two aspects, the luster and the soft-handle.

The luster of silk is about 23 times as much as that of PES fiber. Obviously, decreasing its direct reflection light or increasing its diffuse reflection light from the inside of the fiber has become a main technique for obtaining the silk-like luster. The investigation shows that the chief mechanism for improving the silk-like effect of luster lies in the morphology modification of warp and weft. The result comes from the screening of the surface holes and pits and the decrease of direct reflection area on the surface of the filament yarn, which will lead to a decrease of direct reflection light.

[Continuation of FANGZHI XUEBAO Vol 3 No 5, 1982 pp 11-18]

It has been assumed that the variation in the soft-handle after alkali treatment is due to the change of fineness and modulus of warp and weft and of crushing and the friction coefficient between them. The effect of each mentioned factor on the improving of soft-handle is dependent on the corresponding number representing the range of variation of these factors before and after the alkali treatment. The total contributions of all these factors to the soft-handle can be expressed in terms of their product, called comprehensive number N. Experiments show that the difference is quite small between N and the amplitude of variation of drape coefficient. Thus, if we want to understand and control the laws of the soft-handle variations of fabrics, we ought to have the variation of the four factors under control during treatment, among which the decrease of fineness and crushing is essential for achieving the soft-handle. This method can also be applied to all-silk fabrics with alkali treatment.

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TITLE: "False Twist and Its Application"

SOURCE: Shanghai FANGZHI XUEBAO [TEXTILE JOURNAL] in Chinese Vol 3 No 5, 1982
pp 19-24

TEXT OF ENGLISH ABSTRACT: Based on the concept of the time limit of false twist, a mathematical formula to express the amount of twist of the silver is put forward in this paper. By making use of the formula in light of the twist-assisting effect and the further application of false twist in both the traditional spinning and new spinning, the false twist existing on top of the roving frame flyer, in the open-end spinning, electrostatic spinning and self-twist spinning, axial spinning, air-jet spinning and in the production of textured filaments has been analyzed and expounded.

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